

ACCOUNTING INFORMATION - NOTICE OF AN EFFICIENT DECISION SYSTEM

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ABSTRACT: *Accounting has become a practical activity, which has the role of providing the accounting information needed to make correct and efficient managerial decisions. The informational activities specific to the accounting field are those regarding the production and use of accounting information. These consist of actions aimed at creating, collecting, storing, processing data, and transmitting the information. They involve recording and calculating operations, as well as analyzing, interpreting, grouping, and using the information in decision making. In the present research, we set out to identify and emphasize the importance of using the information collected by the accounting information system, so that users can substantiate the decisions taken, by relevant information in each field. The purpose of any economic activity is to make a profit based on it the managerial decisions adopted. Thus, we consider it appropriate to study broadly the ratio of accounting information - efficient decisions, which has an important role in strengthening the requirements related to good governance.*

Keywords: accounting, information, decision, efficiency

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INTRODUCTION

Globalization and internationalization of markets, increasing competition, the complexity of economic, legal, and social life have led to the increase of the importance of financial information in substantiating decisions. Over time, accounting has been the source of information for all those interested in the financial activity and performance of an economic entity (Bran-Stan, 2012; Margarit-Stanescu, 2012). Increasing information needs to shape the progress of contemporary society and accounting information plays an essential role in the development of all economic activities (Collier, 2015).

The current economic environment is characterized by instability, risk, and uncertainty are frequently encountered and decision-makers are required to give due importance to all financial-accounting reports (Drury, 2013).

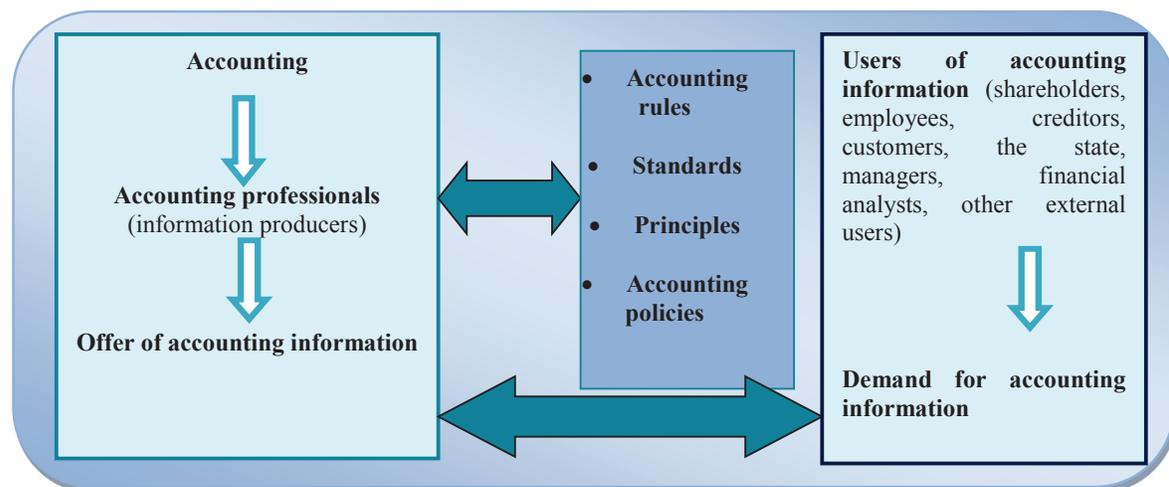
In this article, we intend to study the "accounting information market", balancing the demand with the existing offer, respectively, the users of information with their producers, to highlight the usefulness of the accounting information for the entire economic environment.

1. ACCOUNTING INFORMATION - NOTICE OF AN EFFICIENT DECISION SYSTEM

Accounting is "the art of recording and systematizing, in a significant way, the monetary value of commercial transactions and financial events, of preparing summary accounting documents and interpreting the results" (Feleaga & Ionascu, 1998). In other words, accounting is the main source of information for many actors in the economic environment, having the task of elaborating economic records regarding the movements of assets, liabilities, equity, income, and expenses (Coman, 2012).

In the market of accounting the demand for information is confronted with the supply of information, in the role of the consumers being the users of information, each with their informational requirements, and in the role of the producers, the accounting professionals (Stanescu, 2018). Thus, two camps are outlined that are not antagonistic but, on the contrary, that they must work together to achieve the desired financial performance. Also, there is on this stage of accounting information, the third category of actors normalizes or those who carry out accounting rules and regulations, their role being the arbitrators of the accounting environment.

Figure no. 1. The market for accounting information



Source: Own projection

The market for accounting information is influenced by many factors, such as the pressure of users of accounting information, the existence of the Anglo-Saxon accounting system and the continental accounting system - each with specific rules, so different - the attempt of international accounting bodies to reach a set of common rules needed for all accounting professionals to "speak the same language". In these conditions, the question arises whether the ultimate goal of accounting – the true and fair view – is fulfilled or is simply at the discretion of the producers and consumers of accounting information.

This concept is of Anglo-Saxon origin, the phrase "true and fair view" appearing for the first time in the Companies Act (1948). As a remark, the expression "true and fair view" replaced the phrase "a true and correct view" which was used by the British to introduce, by the 1900s, the obligation to publish and audit the balance sheet. The expression change was made under the pressure of the British accounting profession and had an important connotation: "a true view" became "true view" and "correct" became

"fair" (honest, sincere, loyal); accounting professionals consider that a word as "correct" is far too accurate to render accounting and auditing practices.

Traditional European accounting did not refer to concepts such as "loyalty" or "fidelity" concerning accounting information, and this was because Europeans were adept at accurate accounting. The mathematical origins of accounting (established through studies of the relation of accounting with society) led to the idea that accounting information must be correct, accounting being a "precision instrument," or introducing a notion as "true and fair view" would have brought with it an important degree uncertainty. And yet, the notion of a true and fair view appeared on the European scene, being introduced by the Fourth Directive (July 25, 1978) which states: "The annual accounts must give a true and fair image of the assets, the financial situation and the results of the company."

The concept of true and fair view was taken over by the Romanian accounting. Article 24 of the Order of the Ministry of Public Finance no. 1802/2014, the legislator stipulates that "the annual financial statements must provide a faithful picture of the assets, liabilities, financial position and profit or loss of the entity." The same regulation can be found in Accounting Law no. 82/1991, updated and republished, in article 30, letter b) "the annual financial statements offer a faithful image of the financial position, the financial performance and of the other information regarding the activity carried out", with the observation that in the accounting law it is required to the persons who deal with the management of the respective entity (administrator, authorizing officer) and the obligation of assuming in writing (by a written declaration) the responsibility for the preparation of the financial statements under the legal provisions in force.

The true and fair view is a necessary feature of the accounting information reported, it is a fundamental objective of the financial statements. In other words, the true and fair view can be regarded as an imperative to which all the accounting rules, principles, and policies are "obeyed", thus becoming a guiding principle, a meta principle. However, the concept of a true and fair view is somewhat ambiguous. This lack of precision, clarity is given, on the one hand, by the fact that the image is provided by the manufacturers and presented to its users, and on the other, by the fact that fidelity implies that the manufacturer of the accounting information takes into account its recipients, presenting the data as for himself. Faithfulness implies a complete, sincere, clear, and precise notification.

The true and fair view is a representation in which one can trust; then, how can one explain the idea that there may be more true and fair views? Perhaps because the true and fair view is not an exact copy of reality. One of the definitions given to the true and fair view belongs to Geoffrey Alan Lee, who, in 1982, established "Today, the true and fair view has become a term of art. It involves the presentation of accounts drawn up following generally accepted accounting principles, the use of figures as accurate as possible, making estimates as reasonable as possible or arranging them so that they can provide, with all the limitations of current accounting practices, the most objective image possible, without errors, distortions, manipulations or significant omissions. In other words, both the letter and the spirit of the law must be considered" (Lee, 1982). In theory, it can be considered that the information presented by the accounting is correct, sincere, and complete, but in reality, more and more professionals are obliged or willing to reflect in a distorted way the accounting information.

Presenting an objective image of the business, without distortion, without significant errors, omissions of any kind or manipulations is the premise of preparing financial statements that provide a true image of the financial position and performance of an entity, thus highlighting the accounting truth. The question "is the accounting or not able to issue an objective truth and message?" it was a topic of reflection also for Professor Mihai Ristea, who in the paper "Libertate și conformitate în standardele și reglementările contabile" quoted the Frenchman A. Cibert, who stated: "There are as many truths as there are recipients of information and, to the extent which excludes quality, the reducing effect of each measurement is inevitable."

Taking this quote as a starting point, Mihai Ristea concluded: "Consequently, being a stake for different social protagonists, the truth given by accurately representing the financial position and performance must be searched according to the interests of the producers and users of information. The truth provided by accounting can only be for the users a compromise between expectations and demands, and for the

producers, a relation between sincerity and regularity (respecting the fundamental principles and rules)." (Ristea & Dumitru, 2012).

The comparison of the demand with the offer of accounting information highlights the importance of their construction and emphasizes the quality and usefulness of the accounting information as a result of accounting, and a result transmitted mainly through the publication of annual financial statements.

"The accounting information is constructed using a specific language, rules that allow the encoding and decoding of the represented data. The accounting language and rules ensure the orderly and intelligible representation of economic reality. The usefulness of the accounting information in financial communication is proved under the conditions in which the receivers use it to understand the economic reality of the company and to make decisions." (Minu, 2002).

The existence of several accounting systems leads to the establishment of different objectives of accounting and, implicitly, to the existence of several specific rules. This shows, once again, that accounting principles are not absolute, but rather relative, interpretable. In these circumstances, we can say that the main objective of any accounting system must be to provide useful information regarding the financial entity's position and financial performance.

Accounting information is useful if they meet certain quality criteria. The qualitative characteristics of the accounting information differ depending on the fact that each accounting system has a dominant user in its foreground: the state, in the continental accounting system, respectively, the shareholders, in the Anglo-Saxon accounting system.

The specialized literature presents the main quality characteristics of the accounting information as follows: relevance, comparability, reliability, and intelligibility, and highlights that they were first defined by the American conceptual framework, and subsequently taken over by the other conceptual frameworks and accounting normative systems (Figure no. 2). We should mention that these characteristics differ in form and name, but not, in essence, depending on the country-specific accounting regulations.

Figure no. 2 Qualitative characteristics of accounting information

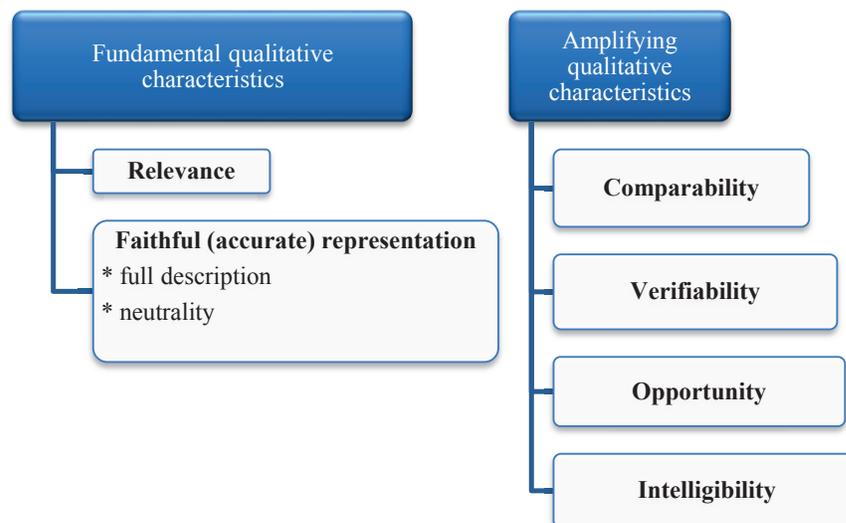


Source: Own projection

The Romanian accounting system has taken over the qualitative characteristics of the accounting information presented in the financial statements from the general conceptual framework of financial reporting issued by the IASB. (section 2.3. of the Order of the Ministry of Public Finance no. 1802/2014).

According to the Order of the Ministry of Public Finance no. 1802/2014, "For the financial information to be useful, it must be relevant and represent exactly what it intends to represent. The usefulness of financial information is amplified if they are comparable, verifiable, timely, and intelligible".

Figure no. 3 The characteristics that make useful the accounting information transmitted through the annual financial statements made by the Romanian companies



Source: Own projection

Over time, accounting in Romania has undergone a profound reform to respond to the information requirements and challenges specific to the new economic, political, and social conditions (Ionescu, 2018; Ionescu, 2020). The taking over by the Romanian normalizers of the qualitative characteristics of the accounting information defined by the IASB conceptual framework has led to the creation of a standardized accounting system whose objective is to provide financial information.

At the international level, the process of accounting standardization and harmonization has determined the standardized and regulated character of accounting information as a final product of accounting. Accounting standardization has led to obtaining comparable accounting information in time and space and has reduced the discrepancy between the two world-recognized accounting systems.

Accounting has become "a complex technique for recording and reflecting the economic-financial reality of an entity, and an information system adapted to the needs of users, a management and communication tool that ensures the integration and dialogue of the company with its external environment" (Minu, 2002). Nowadays, the purpose of accounting is to make and transmit the financial information necessary to the users to make decisions.

CONCLUSION

As we have presented the accounting is today a practical activity that provides accounting information necessary for making correct and efficient management decisions. The accounting information system includes the operations of registration and calculation, as well as the analysis, interpretation, grouping and use of this information in decision making. Nowadays, the information needs are increasing, due to a growing demand for information. Accounting is the one that balances the demand with the offer of accounting information and makes available to the users relevant, reliable, intangible and comparable information.

Accounting is a specific form of information transmission, which describes events quantified in monetary units. Accounting is a set of elements for organizing, coding and transmitting descriptive information. The transmission of information through accounting language starts from the idea of allocating resources in order to reach a goal or objective, in the extended scope of resources, including both financial and technical means for human resources.

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