

FINANCIAL ACCOUNTING INFORMATION- UTILITY IN DECISION FUNDAMENTATION

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The development of accounting and, implicitly, the increase in the supply of information of this nature has been linked both by the theoreticians and by the practitioners in the field of increasing the demand of the products provided by it, coming from some users whose information needs depend on the economic, political, legal, social and cultural context in which it operates. Prior to presenting the financial and accounting information and its role in the entity's sustainable development, we consider it necessary to clarify some aspects of information in general and financial-accounting information in particular. Explaining the notion of information implies the necessity of a discussion between terms of data and information, which, many times, is confused in practice. Data are represented by words, figures, or signs that describe or reflect the most diverse facts and situations, forming the raw material on which the information is based. The information appears as a result of a complex process whereby certain data are attributed to the meaning of the state or dynamics of an object, phenomenon or event, in formal processing procedures (Paraschivescu, Păvăloaia, 1999). In a more concrete definition of information, it appears as a "news" or "message" about facts and events of any kind that must be understood, used and transmitted to facilitate the achievement of the goal.

Key words: *accounting information, information needs, the usefulness of information*

JEL Classification: *M41, M49*

I. INTRODUCTION

With Romania joining the structures of the European Union, Romania's fiscal and accounting system has come a long way towards aligning itself with International Financial Reporting Standards. Efforts are currently being made to meet the informational needs of different categories of users by presenting financial statements in the most appropriate form so that users, regardless of their knowledge of accounting science, can extract the necessary information. For entities that trade their titles on a regulated market, the issue of the obligation to present information in the financial statements as required by International Accounting Standards requires disclosure of information in the form of a Statement of Income and Expense, A Statement of Assets, Liabilities and Capital, a Cash Flow Statement, and the Notes to the Financial Statements.

In this article, I have proposed to pursue some theoretical aspects:

- Why the accounting information needs to be useful;
- What is the legal role of accounting information presented in the financial statements?
- Decisions taken by users of accounting information are relevant if the information presented by the entity is not useful.

Based on these issues, the Romanian legislation aligned with the International Accounting Standards, the Directive no. 34/2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, we will try to clarify these issues.

In the first part of the article, I will present the notion of information and its mode of reflection to reflect the position of the entity, which is the utility according to the various authors in the literature, how the management of an economic entity operates the information to provide the information required by different categories of users.

In the second part of the paper I will deal with the role of financial-accounting information in the decision-making process, a role determined by the management of the entity, which, through the decisions it takes, puts into play the entire activity of the entity that it manages. The role of the information is to provide as accurate and useful information as possible to those who need it, to internal or external users, who are themselves the main part of the environment with which the entity comes into contact.

II. FINANCIAL AND ACCOUNTING INFORMATION- USEFUL AND IMPORTANCE IN DECISIONS BACKGROUND

The main quality attached to accounting information is the utility. Accounting has developed its power of knowledge of the economic and financial situation so that it can provide, under optimum conditions, the information needed to make the most accurate decisions. In fact, the purpose of accounting is to make information and methods a guidance tool, a counselor to determine the conditions in which the economic entity operates internally, as well as in a macroeconomic context.

In other words, accounting information is the most important source for management in decision-making and thus accounting becomes indispensable in the management of economic entities, regardless of the activity they carry out.

Accounting information provides the management of entities, regardless of their scope of business, the choice of funding programs, accounting methods and policies, activity management tools, and the establishment of a specific policy line. In addition, the current trend in accounting information is to become more operative by automating management calculations, recording economic and financial operations in financial accounting, reducing data processing time, interpreting key economic and financial indicators, and thus economic and financial decisions benefit from efficiency. In the context of the above, we can assume that the accounting system currently used by economic entities, and not only, provides the necessary information in their managerial process as well as in the relations of each of them with third parties, shareholders or associates, suppliers, clients, the state budget and the social security budget, banks and so on. It has been improved so that the permanent adaptation to the inherent transformations produced in the economic and financial activities within the national economy was accomplished and on the other hand the achievement of the objective of complying with the relevant directives of the European Economic Communities.

Achievements of this nature were possible due to the adaptation and improvement of the accounting, legislative nature. tax laws that took place in our country when Romania's legislation aligned with that of the member countries of the European Union.

The development of accounting and, implicitly, the increase in the supply of information of this nature has been linked both by theoreticians, through theoretical research, and by practitioners in the field, by empirical research. Increasing demand for products provided by it comes from users whose information needs depend on the economic, political, legal, social and cultural environment in which they operate.

Specifying the notion of information requires the necessity of a discussion, between the terms of the date and the information, which, many times, is confused in practice. The data are represented by words, figures or signs that describe or reflect the most diverse facts and situations, forming the raw material on which the information is based. The information appears as a result of a complex process whereby certain data are attributed to the meaning of the state or dynamics of an object, phenomenon or event, in formal processing procedures (Paraschivescu, Păvăloaia, 1999).

In a more concrete definition of information, it appears as "a news or message about facts and events of any kind that must be understood, used and transmitted to facilitate the achievement of the quantified objective." (Popescu, 1977). In the literature, we find numerous attempts to define this notion, but we think that a generally valid definition is virtually impossible because "information is practically open to more disciplines." (Stössel and Ogodescu, 1978). In the economic activity, the information links the objectives proposed by the entity at the beginning of the year, showing what and under what conditions the output is executed, the work is performed or the service is performed, and the actual results indicate the degree and the way of accomplishing the proposed goals.

The theory of information applicable in the accounting area has been the subject of research by many scientists of great value, being so-called scientific information. Peter Drucker, a management professor in his post-capitalist society, says that "today science is more important to the welfare of nations than capital or labor." (Drucker, 1994). Conducting actions in accordance with predetermined tasks and values is largely conditioned by the quality of the information, the speed of processing and the opportunity to turn it into the decision-making process. The link between economic information and the management act can be represented as follows:

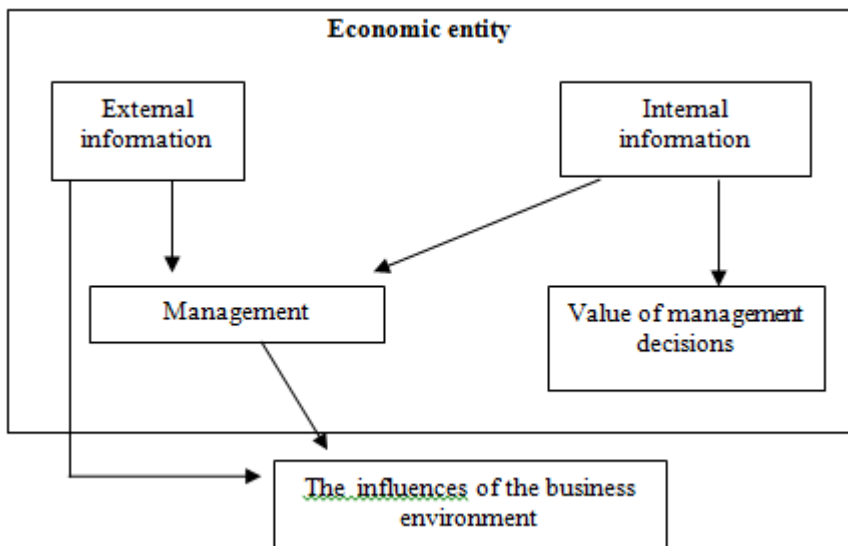


Figure 1. Relation between information and managerial

Source: own processing after Peter Drucker theory

In order for economic information to fulfill its role in the process of leadership, background and formulation of the decision, it must possess qualities: and add to these qualitative attributes (Verboncu, Popa, 2004) of information and some specific parameters that we consider relevant, respectively:

- dynamism, in the sense of emphasizing the processes of work in their evolution rather than static;
- synthesis and comprehension, the presentation of economically-tailored messages adapted to managers in a permanent crisis of time;
- the specificity, given by the adaptation of the information to the user's particularities - regarding the level of training, the degree of information, the time of the specificity of the problem to be solved.

The useful information, in our opinion, is the one requested at various levels of decision by an economic entity, necessary to elaborate and put into practice the strategy and tactical measures appropriate to the overall purpose of improving its position in its environment. These actions are organized and take place in an uninterrupted cycle. The competent and efficient management of economic activities is of vital importance, without which it is not possible to carry out the planned activities under the desired economic and financial conditions. Management of an economic activity becomes effective when only well-founded decisions based on conclusions or findings that are formulated as a result of a detailed study of the technical, economic and organizational phenomena and processes, as well as the effects they generate and implicitly, by knowing the causes that determined them (Staicu, 2004).

Before recognizing other uses of accounting information, a small commentary on its importance should be added. For this reason, large market participants consider accounting information to be the center of investment decision-making processes. For example, in US and UK studies, investment consultants regard financial statements as the most important source of information in investment decision making.

It is also worth noting that accounting information is also important in the financial analysis, with five applications being identified in the financial analysis. First, accounting information is used to evaluate a business. Four types of valuation include: a comparison of an entity's occurrence between successive years, a comparison of an entity's situation with that of its competitors, a comparison of an entity with an industry standard and a comparison of the position of an entity with a target, such as the financial budget. A second application is the use of accounting information in the forecasting and assessment of the health of the business. The analysis of financial statements means a careful extraction of some of them. The most common rates used are liquidity, activity, profitability, and leverage. A third application is to evaluate an investment. To understand, we need the accounting information for the evaluation models and to see the need for it. The fourth application, changes in the business environment have an invariable impact on economic activity. The fifth application, the accounting information is used by analysts to see if certain investments deserve to be done by analyzing the entity's assets.

III. THE ROLE OF LAWFUL FINANCIAL AND ACCOUNTING INFORMATION IN THE DECISION-MAKING PROCESS

Before presenting the accounting information and its role in the development of an economic entity, it is appropriate to discuss some aspects of information, decision-making, financial-accounting information.

Accounting measures and records economic activities by analyzing the data they receive for future use. Second, the data is stored for as long as necessary and then processed to become useful information. Information is communicated to interested parties through reports in various forms. It may be said that gross data relating to economic activities represent data entries in the accounting system, and processed information, useful to decision-makers, are information outputs through various forms of reporting.

Practically, the main responsibility and occupation of a manager is to make decisions but also to be the most informed person in the economic entity. The information is collected both in the financial statements and within the entity, employees, administrator, accountant. The Explanatory Dictionary of the Romanian Language defines the decision as "a decision taken after examining a problem, a situation, a solution adopted from several possible (www.dexonline.ro).

Romanian Economists I. Ionașcu, A. and M. Stere Tiberiu defining decision as a process of "transformation of primary information a decision maker in shares in an organization or a part of the organization" (Ionașcu, Tiberiu, 2003).

Russian economist A. Seremet mentions: "although each decision is unique and can not be represented as linked to rules, stages or periodic constraints, it is subordinated to internal logic - this is the cycle of substantiation of decisions" (Seremet, 2000).

Based on the analysis of the various views of the specialists, we can say that the decision is the direction of action chosen to achieve one or more objectives, or a conscious line of action chosen from a number of possibilities the decision-maker has to solve problem. Thus, it is concluded that the decision is taken in a context of perfect awareness, that is, the manager takes the best decision that assures its usefulness, establishing the entity's strategy and the effective use of available material and human resources.

The role of accounting information is to ensure a stable development as well as the realization of the cycles that characterize the purpose of the activities with as few perturbations as possible. "Although the information used for decision-making by managers is mostly provided by management accounting, financial accounting also produces information for current client or supplier management and for substantiating the investment and financing decision. (Feleagă, Ionașcu, 1998)

The role of accounting in economic and social life means that whatever the nature of the system in which it operates in the context of a market economy, it has to account for itself to its partners, internal or external users of accounting information. The instrument through which the entity informs its environment about what it does, about the position, the entity's performance is the accounting.

Under the competitive conditions of the market economy, the complexity of economic activities determines the role of economic and financial information in decision-making. Of particular importance is the quality of information. This depends on the quality of the decision taken regardless of the time horizon to which the decision refers (short or long term). The quality of the decision is subject to a set of complex conditions, determining the quality of the information used, as well as the managerial skills held and applied by the decision-makers. The most representative sources of economic data and economic data are economic planning, economic evidence (accounting, statistics, operative evidence) and other sources, such as economic and financial legislation. According to some authors, 46-50% of all economic information is provided by accounting. "Information, as an element around which all human actions in social and economic context glide, has in the economic and financial field as the main supplier the accounting."

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The quality of the accounting information is evaluated according to the objectives of the information, the information needs of the users so that the information provides a complete, clear, loyal and precise description of the economic phenomenon it refers to. Accounting information, the raw material in the decision-making process, is the key to the development of the economic entity, the quality of information having an important role in developing managerial decisions, helping to achieve the main objective of management, namely the continuation of the entity's activity.

IV. CONCLUSION

It is obvious that the activity carried out by the manager of an economic entity brings the entity on the same waterline as that of the competing entities and offers a high quality of the information provided. His skills are shaped over time over many challenges facing the economic environment. Decisions are taken through multiple analyzes of either information or indicators based on information.

It is unanimously acknowledged that at the level of each economic entity there is a growing demand for accounting information, which is managed through such information system. Accounting information is a significant component of economic information and, at the same time, is the basic component of the accounting information system. In a general sense, it ensures the knowledge and control of the heritage situation and the results obtained. Data relating to the existence, movement, and transformation of patrimonial items as well as the result obtained become accounting information once they have undergone processing, if they are novelty and only to the extent that they can be used (useful) to characterize an activity carried out by the economic entity from which they originated. Accounting information is the basis for determining effective ratios of all economic and financial operations or transactions and also provides the certainty for the development of viable forecasts. In this context, it can be considered that for an unpredictable future, accounting information will be the most important component of the economic information system at the level of each entity, and that "each of the stakeholders in the entity proceeds to accounting information because it is the only source that can provide the image of its activity and its situation, starting from the cash flows and masses that for a given period have been interested in it. (Capron, 1994). For the current and also for the future, accounting is an asset or method of obtaining economic and financial information useful both for the management of the entity and its shareholders as well as for a diverse range of users, which gives it an increasingly social character. In the continuous process of organizing and managing the activities of the entities, the role of accounting is increasing.

We consider that the three aspects considered in the introduction were theoretically approached in the body of the paper, referring to the legislation but also to the authors whose studies were important for the literature.

By its method of knowledge and by its specific procedures, accounting provides the necessary amount of information to enable management to discover internal reserves with regard to the efficient use of resources and labor to mobilize them.

Accounting should contribute to the achievement of three major objectives, namely: establishing a correct diagnosis of the entity; finding new ways to quickly highlight the anomalies and deficiencies that appear; helping managers choose optimal solutions. We believe that these three objectives can only be achieved as far as quality accounting and professional work is concerned.

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