

THE QUALITY OF THE INFORMATION PROVIDED BY THE ECONOMIC - FINANCIAL ANALYSIS, A CURRENT ACCOUNTING PROBLEM

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Abstract: *The rise of the economy has been accompanied by the evolution of the information society and the knowledge society, playing an important role within them. The starting point of this paper is the desire to determine the factors that favor the increase of the quality of the accounting information in order to identify the features of a successful information system at entity level. Quality accounting information should play a key role in efforts to create performance and increase market value at the micro and macroeconomic levels. Studies were carried out regarding the impact of the quality of the accounting information on the performance of an entity with the emphasis placed on the sequence of the performance evaluation at the entity level. The present paper aims to answer some questions regarding the measurement and the role of the quality of the accounting information at entity level. By linking the quality of accounting information, performance and competitiveness, a conceptual framework can be constructed to analyze the different dimensions of information quality in the economic-financial field. The analysis of the modalities of developing the competitive advantage of the entities can be done from the point of view of information quality. A competitive advantage of the entities is based on their ability to accumulate, exploit, combine innovate the set of information from the level of economic-financial analysis and financial reporting..*

Keywords: *accounting information, economic-financial analysis, performance, information competitiveness, financial reporting.*

JEL Classification: *D83, M41.*

1. Introduction

Accounting forms a source of information for a nation, a significant percentage of the economic environment information representing accounting information. Each entity must permanently adjust its information supply in the accounting field in relation to the existing demand.

In the context of the international accounting harmonization procedure, the quality of accounting information is in an improvement process. The multitude and complexity of information allows entities to increase the parameters of informational competitiveness with other partners and competitors on the domestic and international market. Under these conditions, the information provided by accounting is intended for a wide range of users and, as such, a structure of the conceptual framework starts from identifying the objectives of the accounting information and delimiting its qualitative characteristics, to realize the financial statements and to design the criteria by which will be recognized and evaluated. All of this will allow quality accounting information to be used for many categories of users.

2. Quality of accounting information and influence on performance

The adoption of IFRS is a prerequisite for increasing the quality of accounting information, mainly because it limits the manifestation of the non-principled behavior of the decision-makers in establishing the accounting values. Such a situation can be considered as limiting the manipulation of the result. The standardization bodies had intense concerns regarding the establishment of the criteria regarding the accounting quality. The quality of accounting information has served as a subject of study for many specialists. The concept of quality of accounting information derived from the economic-financial analysis during the communication process, concerns three elements: reflecting the reality, printing a conclusive meaning and transmitting the information in a safe way. In order to be able to outline the concept of qualitative accounting information, the researchers most often expose aspects such as the accurate representation of information in

the economic-financial analysis and financial reports, the importance of accounting information in making investment decisions, the reflection of reality through comparable and complete information.

Accounting standards that limit managers' opportunistic behavior allow the determination of accounting results that better reflect the economic reality and are therefore more qualitative (Barth et al., 2008).

In the last decades, the role of accounting information has increased dramatically, these increasingly influencing the behavior of users in substantiating decisions. Quality accounting information will provide the opportunity to make timely decisions, which in turn requires obtaining in the accounting of information of the same quality as those used. Accounting practices are developed and regulated by increasingly imposing comparability of information to facilitate rational decision making, transparency of information to generate confidence among participants, and social credibility to allow accounting information to become a reference base for many users. As the quality of some goods, services is evaluated by the utility for the person who uses them, so we can consider that the accounting information is qualitative if they are useful to the entity or to the external users when making decisions.

The quality of accounting information is especially distinguished in providing the annual financial statements from which it is expected to contain accurate and real information. The quality of financial reporting requires entities to voluntarily expand the volume and quality of the information they report, to ensure that participants are fully informed to make investment, lending, etc. decisions (Martinez-Ferrero, 2014).

The economic-financial analysis provides information for three directions of action, their quality becoming paramount in the success / failure of the actions for each level:

- planning is represented by designing a course of actions, identifying the variants and choosing the optimal one;
- the control is represented by the pursuit of the observance of the planning;
- the evaluation is represented by the examination of the decision-making system in order to improve it. The assessment is based on the information in the financial statements.

The quality of the information can be appreciated in relation to the level of representation of the reality and with the level in which the information helps the beneficiary to create a reality that he cannot visualize alone. This transposition of the reality that is communicated to the beneficiary through the data obtained by the transmitter, is conditioned by: the aims pursued in the communication, the framework in which the transmitter activates, the means available in the representation of the reality. Information transmission is the level with many restrictions and constraints that could affect the quality of information due to the vulnerabilities of the process itself.

Given the IASB's international regulatory body's concerns about developing high quality accounting standards, and continually improving the quality of existing IFRS standards, financial reporting under IFRS should become more relevant and credible (Soderstrom and Sun, 2007).

A series of determinants of the quality of the information presented in the financial statements is presented by the Soderstrom & Sun auditors and includes three factors: the quality of the standards, the legal and political system of a country and the motivations regarding the financial reporting, regarding the development of financial markets, capital structure, structure shareholder and the tax system (Soderstrom and Sun, 2007)

By applying international financial reporting standards, one can determine the improvement of the quality of the accounting information, ignoring the incidence of the institutional factors specific to each economy.

Accounting proves to be a very useful informational tool for the state, providing information that allows to know the evolution of the national economy and, thus contributing to the foundation of the economic policy. The accounting information system plays the main role in directing the flow of economic-financial data to all subsystems of the entity and to the interested external categories.

In analyzing the overall performance of an economic entity, the quality of the financial-accounting information we use at a given moment is decisive, preferably more and more analytical. The users of the accounting information constantly request information about the overall performance of the entity used in its own decision-making process. The subject is long researched but it implies a common point: the quality of accounting information is linked to the degree of evolution and perception of economic phenomena. Accounting information is ubiquitous in the activity of an economic entity through their role within the entity and through the interest they arouse to external users of information. The quality accounting information that can ensure a performing activity must fulfill the following attributions: accessibility, topicality, intelligibility, relevance, reliability. Information about the financial performance and the dynamics of the financial position of the entity have as source the financial statements, they offer the possibility to evaluate the past results accompanied by their analysis, with the purpose of predicting the future performance.

Basically, the profit and loss account was considered the appropriate way of reporting the financial performance, according to the accounting through historical costs. However, the changes in the fair values of certain patrimonial elements are not found in the profit and loss account, but are found in the equity, which shows that the information taken from the profit and loss account is not sufficient to reflect the performance of the economic entity for a certain period, in this situation the quality of accounting information having to suffer. Another situation of the last years is related to the accounting result that no longer corresponds to the current reality, given that it does not take into account the latent gains and losses registered directly in the equity. For these reasons, in order to bring an optimal quality of accounting information for the present situation, the concept of economic result appeared that measures the overall performance of the entity. In order to carry out an economic-financial analysis, the financial analysts take the raw accounting information and transform it into another type of information, which reflects their ability to understand, synthesize and interpret the information in its raw material quality.

The evolution of the natural and social systems directly influences the information related to the entire economic field. Permanent knowledge of the status and functionality of the components of the economic system determines the development of the economic information system. Most and conclusive financial and accounting information are from the tax side and are included in the balance sheet, profit and loss account, annexes and other reports to be submitted to financial institutions. It is obvious that a manager, in order to obtain a higher profitability of the entire economic activity within the entity he manages, must maximize his profit and minimize his costs, impossible to achieve without using quality economic information. Thus, the evolution of the economic entities depends on the quality of the accounting information.

The continuous improvement of the economic and financial information is required by the evolution of the company at European and global level. In analyzing the overall efficiency of an enterprise, the quantity and quality of financial-accounting information existing at a given time in the system of the economic enterprise is particularly important, preferably at increasingly analytical levels (Creacă, 2000).

The quality of the economic information comes to complement the economic reality perceived by the users, which they cannot view otherwise. The quality of

accounting information is directly influenced by the management of the information system in this case obtaining, processing, elaborating and transmitting them. The accounting information, of quality and prompt, contributes to the efficient management of the activity of the entity and to the increase of its market value. In the current period, the synthesis and reporting accounting documents have undergone and undergo a number of essential changes, both in terms of form and content, so it can be said that the rules governing international financial markets are increasingly putting their mark on characteristics of accounting information.

In an information-based economy, where consumer financial education is no longer low, the demands on entities are in an upward dynamic.

Also, the quality of accounting information could be improved if, in conjunction with the adoption of IFRS, there would be changes to the financial reporting system, for example, through a more rigorous enforcement mechanism (Barth et al., 2008).

3. ICT news in the information accounting system

The managerial information system comprises several interconnected subsystems that provide the information necessary for the activity of the entity, a central place occupying the accounting information system. News in the field of Information Technology and Communications (ICT) can be highlighted as the main factor involved in increasing the quality of accounting information. Confidence in an innovation-based economic information system needs to be created and sustained, with innovative approaches being applied as a precondition for success. Initially viewed as a complementary element in the pursuit of economic activity, information technology plays an increasingly important role in achieving the quality of accounting information. Modern analysis and prediction techniques, ERP (Enterprise Resource Planning) accounting information systems (SIC), or XBRL (eXtensible Business Reporting Language) through a financial education of entities, will enhance the quality of the accounting information issued respectively used at the entity level.

The accounting information system is generally a computerized system used to perform the accounting tasks within a company. It is included in the entity's information network and is responsible for generating the necessary information in the decision-making process (Ceran et al., 2016). The quality of accounting information produced by an information system has served as a subject of study for many specialists. Today, it is necessary for economic entities to integrate their employees into a large database that will allow managers and other categories to obtain the information needed for planning, decision making and control, whether the information is for the entity's marketing, accounting or other systems. economic. The quality of the accounting information allows the entities to increase the competitiveness parameters related to the information system in relation to all the competitors on the domestic and international market.

The evolution of the information needs imposed by the evolution of the natural and social systems - objective reality that implies the permanent knowledge of the state and the functionality of the component elements of the systems - has determined the development of the economic information system, of its component elements, the operative record, the accounting and statistics (Dănescu, 2000).

The use of ICT in the business environment directly influences the increase of the abilities to manage the financial transactions and to register them at the level of the entities so that they reach their economic objectives, in accordance with their mission and strategies. The rapid access to information and the elimination of redundant operations have developed the system of economic-financial analysis and financial reporting by improving the quality of accounting information.

4. Conclusions

Quality accounting information is an inexhaustible resource, a factor that influences the degree of prosperity of an entity or even of a country. The accounting information, of quality and prompt, contributes to the efficient management of the entities and to the increase of their market value. In the contemporary period, the synthesis and reporting accounting documents are characterized by a series of essential changes in form and content, the jurisdiction and the rules governing the international financial markets, increasing their footprint on the characteristics of the accounting information. In order to reflect as accurately as possible the performance of an entity, its financial position, the accounting alternatives allowed must be used with great care and responsibility. It is not guaranteed to produce and publish qualitative financial reports only by applying global quality standards, the switch to IFRS can have both positive and negative effects on the quality of the accounting information. The qualitative accounting information that can support the success of the entities is the one that, after identifying and applying the appropriate accounting policies and adapted to the specificity of the entity, reflects the economic-financially analyzed reality of the transactions carried out, in a coherent, transparent and intelligible way. In the accounting field, the quality of information has a directly proportional influence on the efficient management of the entity and the increase of its market value. The economic-financial analysis is in a relationship of continuous interdependence with the quality accounting information, being both their basis and their result.

This approach demonstrates the major positive impact of quality accounting information on economic-financial analysis, financial reporting and business performance. An optimal quality of accounting information allows managers to make better decisions in order to achieve the entity's objectives and this can maintain better links with all its business partners, which is a must for competitiveness. The economic information is present today in all fields of activity, without them, in a qualitative form, the progress being slow or even non-existent. The present study tried to highlight the role that the information obtained from the economic processes through the accounting situations has in creating strategies for developing an economic entity and if there are limits regarding the accounting information.

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