

# PERFORMANCE CONCEPT AND ITS IMPORTANCE FOR USERS OF THE INFORMATION CONTAINED IN ANNUAL FINANCIAL STATEMENTS

GABRIELA SANDU

UNIVERSITY „PETRE ANDREI” FROM IASI, STR. CONDUCTELOR, NR.1, 700080, IASI, ROMANIA, sandugabriela@yahoo.com

**Abstract:**

*The objective of each firm is to meet participants in the life insurance company and their development. Return results from measurement of the effects achieved with efforts to achieve them. The performance of a business vary from one user to another, meaning that some view as a profit made in the past, and others as a benefit to be realized in the future. In this context, we can say that the whole enterprise performance expresses the capacity to make profits.*

**Key words:** *Performance, statements, users, accounting*

**JEL classification:** *M40*

Word performance is of Latin origin and comes from the word "performing", meaning to complete a proposed activity. In the present context, we believe that its meaning comes from the English. "To perform" supposed to do something that requires a certain skill or competence. "Performance" way to translate an organization achieve the objectives that have been proposed. In the economic point of view, it has been given more definition of performance. In their diversity, there are three major orientations: according to the definition of performance to achieve its strategic objectives, the definition of performance based on value creation and definition of performance based on efficiency and effectiveness of enterprise.

There are no independent performance goals. For this reason, the intent to profit and its actual implementation is a reflection of performance. Profit is presented as real and logical purpose of a business. "The source of profit to the entrepreneur is the ability to predict better than others what will be demanded by consumers. "Consumer behavior is oriented toward areas of maximum productivity as they "transferred, by way of profit or loss, the means of production in the hands of less effective in the most effective. "The entrepreneur can only reach the goal of satisfying the consumer him. So who is performing his goals? If we relate to overall company image, goals, operational, tactical and strategic impose a total assimilation of the concept of performance - the financial side of your results and non-financial side that you and social responsibility.

Also, a second approach, the performance of the enterprise is what contributes to improving the cost-torque value, which contributes not only to reduce cost or increase value. In this respect, the company's performance reflects its ability to generate future cash flows, using existing resources, and the degree of effective use of resources. The ability to generate future cash flows requires the firm to record income from the activity and requires the use of existing resources highlighting the costs of the period. Revenues and expenses are, therefore, directly related to performance appraisal elements undertaking, something that connects with the approach outlined in the previous paragraph.

In a third definition, the performance is an effective amount of torque - effectiveness, where efficiency is the ratio between the results obtained and the means employed to achieve the results and effectiveness is the ratio between results and

expected results. This definition of performance is best reflected in the calculations of economic and financial analysis.

In conclusion, the performance can be defined as a state of competitiveness of economic entities, reached by a level of efficiency and productivity, and ensure a sustainable market presence and position it in accordance with its domestic objectives in relation with other economic entities in the field.

In conclusion, the performance can be defined as a state of competitiveness of economic entities, reached by a level of efficiency and productivity, and ensure a sustainable market presence and position it in accordance with its domestic objectives in relation with other economic entities in the field. From this definition, which we do not consider exhaustive, but relevant, performance has a number of meanings in the economic world:

- Successful performance means. Performance is not itself dependent on the success of the presentation by different categories of users of accounting information;
- performance is the result. Opposed to the previous one, this court does not retain the value of external users. Performance measurement is understood that ex-post evaluation of results;
- performance is action. In this respect, the performance is a process and not an outcome that appears at a time. This attitude is translated into practice and evaluating the behavior of financial analysts in multiples of net income securities held as well as anticipated.

The objective of each firm is to meet participants in the life insurance company and their development. Return results from measurement of the effects achieved with efforts to achieve them. The performance of a business vary from one user to another, meaning that some view as a profit made in the past, and others as a benefit to be realized in the future. In this context, we can say that the whole enterprise performance expresses the capacity to make profits. "Hence the potential size of the resources that the company would own and control the future.

In „eudynamic theory”, presented by Sommerfeld in 1936 is reported to quantify that benefit is taken into account only the income actually received, not in the future. Hence the major objective of the preparation and presentation of balance and strength which is to preserve productive assets and the financial result. So, in the financial statements are reported only actual profits (money) and actual and probable losses, the latter being generated by inflation.

J.R. Hicks defined benefit entity as a time measurement of consumption without losing the wealth. This benefit means: "the maximum amount that an individual can consume in a week, expecting the weekend to be as rich as its beginning." In his view, the income is actually the result of activity, and consumption is included. Moreover, according to one interpretation of Hicks's definition, must be measured not only monetary benefit, but also benefit physically represented, measurement of growth of wealth, from certain specific qualities such as increasing the training. "While accountants recognize the usefulness of measuring these quality elements, such an assessment to a certain degree of uncertainty due to both economic theory and instrument limits of accounting methodology.

Mathews and Grant indicates that „not all costs and expenses incurred in a period involve transactions with third parties in a market”. Such consumption refers to the internal operations of the unit and have an estimated value at the end. These operations deal with the costs of production is stored so unsold (finished products, semi) and production assets (not for sale). A noted consumer is directed by accounting for the income.

A measure of business performance means measurable results from four perspectives, namely:

- heritage - while comparing the value of a property unit, using the same methods of evaluation;
- economic - the difference between revenue and expenditure period;
- financial - net non-monetary items net cash flows;
- operational - expenditure may deduct from the net financial result, the income tax expense and depreciation expense in order to identify influence the outcome without taxes, and holding various equity loan for fixed assets.

Measurement patrimonial benefit in terms of net assets into account, determined as the difference between assets and liabilities. The benefit is equal to the difference between net assets at year-end and the beginning of the financial year.

From the financial point of view, the benefit is determined as a result of the Treasury, as the difference between receipts and payments for the year. As the money comes from self-financing capacity - resulting from the existence of profit - they avoid the depreciation adjustments and provisions are non-cash items.

### **Conclusions:**

A quantification of past performances helps us to measure future performance of a unit, information necessary financial statement users. They are interested in the interrelated factors that lead to that performance, such as prices, dividends, wages, the company's ability to meet maturing obligations. In predicting the outcome must take account of extraordinary events, abnormal, unusual or rare frequency, leading to the emergence of revenue and expenditure implicitly unusual. For a better understanding of the phenomenon is recommended that these revenues and expenses are separately disclosed.

The organization meets its own needs for information about outcomes, mainly through management accounting, which is more detailed and external users to satisfy this need through its company financial accounts, generally, what information they provide at least three months.

### **REFERENCES**

1. Bunea Ș., *Lumini și umbre în prezentarea și interpretarea performanței*, Revista Contabilitatea, expertiza și auditul afacerilor, nr. 3/2001
2. Chirilă E., *Definirea și măsurarea performanței întreprinderilor*, Analele Universității din Oradea, 2004, [www.steconomice.uoradea.ro](http://www.steconomice.uoradea.ro), accesat la 29 noiembrie 2010
3. Feleagă N., *Tratat de contabilitate financiară*, vol. II, Editura Economică, București, 2002
4. Hicks, J.R., *Income* – retipărit de Parker și Harcourt (1969) din volumul *Value and Capital*, Clarendon Press, 2nd ed., Oxford, 1946
5. Horomnea, E., *Bazele contabilității. Concepte și aplicații*, Editura Sedcom Libris, Iași, 2004
6. Mises L. von, *L'action humaine. Traité d'économie*, PUF, Paris, 1985
7. Pohoăț, I., *Doctrină economică universale. Contemporani*, Fundația Academică „Gh. Zane”, Iași, 1993
8. *Profit measurement and inflation* – eseu retipărit de Parker și Harcourt (1969)