

THE ROLE OF ACCOUNTING INFORMATION IN THE ECONOMIC ENTITY¹

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Abstract:

Accounting information is the most accurate, precise, complete and operative information underlying decisions taken in the management process of the economic entity. It may reflect the status at a time, the extent to which their activity is profitable or not and may even provide an overview of all activities.

To get an accurate accounting information, we can not put off the accounting information system because it provides data processing, that is their organization into a useful form and streaming to users, that are indispensable especially to the manager, as the main instrument by which the manager can know the evolution of the economic entity.

Key words: *accounting information, users of accounting information, decision management, economic activity.*

JEL classification: *M41*

Introduction

We live in a society going through a computer and information explosion. Therefore it is easy to say that the manager needs to gather information to help reduce levels of uncertainty in a decision, this information is useful only if they are accurate.

Information in the general sense, is a story, a novelty, a message comes in every field of knowledge, written a formula expressing this concept, likely to bring an acquaintance.

Information is a resource created by humans and may have a crucial role, for he who has it, helping to effectively exploit its resources. Information requirements are necessary:

- Be real - meaning coverage as running processes, realism makes the decision and information on the basic economic efficiency over the long term. This requirement must be met with the risk that information to be unpleasant for the time of managers.

- To be multilateral - to highlight important elements of economic, technical, human, scientific, especially strategic issues.

- To be symmetrical and concise - capturing the essential elements and presenting them with new messages and it saves time because of lack of leadership.

- Be accurate and reliable - that information be given exactly, the omission of significant details, creates ambiguity on the necessary safety depriving beneficiaries use information. For this level of training, consciousness, spirit of discernment, the degree of motivation of person providing information is crucial.

¹ This article is a result of the project “**Creșterea calității și a competitivității cercetării doctorale prin acordarea de burse**”. This project is co-funded by the European Social Fund through The Sectorial Operational Programme for Human Resources Development 2007-2013, coordinated by the West University of Timisoara in partnership with the University of Craiova and Fraunhofer Institute for Integrated Systems and Device Technology - Fraunhofer IISB.

- Reach the beneficiaries in time - which information must reach the recipient in the best period for a decision.

- To be dynamic, prospective and adapted to the specific personnel involved.

Quality of information is characterized by a number of attributes:²

- Speed - sets time for information to go through the issuer to the receiver;
- Frequency - the number of the same type of information in a time unit, causing rhythm information;

- Accessibility - depends on the means of communication, level of staff training, storage methods, etc.;

- Timeliness - information is the ability to present recent developments;

- Comprehensibility - implies ownership of information to be perceived by users;

- Reliability - is the ability to provide true information and a safe event / object;

- Relevance - requires quality information to provide answers in a given situation;

- Age - is expressed by the length of time gathering information, until transposition into action on their decisions;

As the decision is the most important entity of management, decision-making function expresses information system designed to provide them the information necessary to make decisions.

Purpose information system is the set of actions needed for the onset of company objectives – operational function. With this function, the information system provides the objectives contained in corporate strategy and operational management decisions.

With rapidly advancing technological progress, science in general, the documentation function becomes increasingly important, and information is now present in all fields, is an indispensable element of progress.

Accounting information

Accounting information reflects the status of a company at some point, the evolution of economic activity, as the business is profitable or not and provides both managers and other stakeholders an overview of accounting entities. Thereby, accounting information proves to be indispensable to a manager, the main instrument by which it can meet the company's evolution.

Obtaining information asset accounting entities is carried out either within accounting compartments separately organized and led by chief financial officer, chief accountant or other person empowered to perform this function, either legal or natural persons authorized (chartered accountants, company expertise accounts). Those responsible for organization and management accounting should provide conditions for:

- Preparing documents for all transactions affecting property;

- Organization and management of accurate and current accounting;

- Organization and inventory of assets and liabilities and of the results thereof;

- The rules for drawing up annual accounts, time deposits of their bodies and their publication entitled;

- Retention of supporting documents, records and annual financial statements;

- Organization of management accounting adapted to the specific legal entities.

² Negescu, M.,D., *Caracteristicile informației financiare în contextul evoluțiilor contemporane*, Revista Contabilitate și informatică de gestiune, nr. 9/2004, Editura ASE, București

Accounting cannot be stated outside the Informational System because society is passing through an informational explosion and information brings a plus of knowledge, laying at the basis of the actions and decisions of the economic entity.

The information and the decision are bound by an interdependent connection. On the one hand the given information help the decision taking process, but on the other hand, the decisions taken become information transmitted to the execution system.

Because the decision is the most important element of management, the managing and decision taking position expresses the call of the informational system to assure the informational elements necessary to decision taking processes.

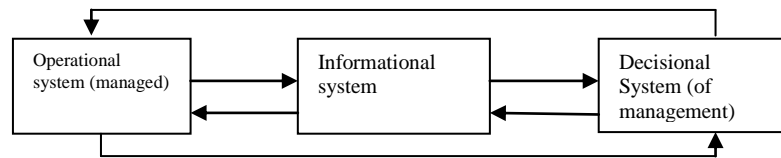


Figure 1 – Relations between subsystems

(Sursa: Iacob C., 2000, p.16)

Accounting is answering informationally and decisionally to the problem of the management of economic values. It is a collection of knowledge that helps govern activities and processes at the level of the economic entity.

Users of accounting information

The main users of accounting information produced in an entity are current and potential investors, company management, employees, financial and trade creditors, customers, government and its institutions and the general public. Current and potential investors are interested in earnings that can be obtained from investment in a particular company, together with risks. Corporate governance needs of intelligence in summary form. Enterprise management using management accounting information provided to fulfill its functions: planning, organizing and controlling the business.

Employees want information on job stability, but also the extent to which they are assigned a fair fraction of the value added business. Financial creditors are banks and similar institutions interested in long-term liquidity and solvency of the company, its ability to repay term loans, with interest. Trade creditors are suppliers of goods and services, whose concern is short-term liquidity of the company.

On the other hand, customers have a going business with the company, especially in situations where it is monopoly or oligopoly in that market. Information provided by financial accounting, including profitability sectors, giving an insight into the possible evolution of trade relations.

Information needs of government are distinguished from the institutions themselves. Ministry of Finance collects information from financial accounting to develop forecasts of state revenues; the National Commission for Statistics centralized statistical reporting to develop national accounts, including the calculation of macroeconomic indicators such as gross domestic product. The public expects companies to provide information about the impact of local communities, the environment, and ethical aspects involved in a business activity and consumer organizations are interested in prices reflect the quality of products or services.

For accounting information to be useful, it must meet four main qualitative characteristics: understandability, relevance, reliability and comparability.

Intelligibility

Financial statements must be immediately comprehensible to users. In this respect, users should possess a good knowledge of economic activities and accounting.

Information which reveals complex situations presented in the summary documents, on grounds of relevance, not be excluded, where they are much less accessible to certain users.

Relevance

Information is relevant when it influences the economic decisions of users, helping to assess historical events, present or predicted by the users confirming or correcting past evaluations. Information is material if its omission or erroneous declaration may influence the meaning-making.

Operational reliability

An information is reliable when no errors or elements leading to misinterpretation, so users can trust it to faithful representation of transactions or other events.

Comparability

This feature involves two dimensions: comparability over time and comparability of financial statements in space (between different enterprises). To ensure comparability, measurement and financial effect of transactions and events should be conducted in consistent and ongoing compliance methods at company level, and consistently, when analyzed against several companies. One of the implications of comparability is that users should be informed of the accounting methods used in preparing financial statements, the evolution of these methods and their effects.

Addressing the economic entity concept

The entity is the organizational link where the entity completes merger between factors of production to produce economic goods in the structure, quality and quantity required by market demand and obtain a profit.

The economic entity is the vital cell operating the business. Entity, regardless of the position of organization, its branch of activity, the form of use of its capital, the nature of that capital, operates in connection with all the rules that must be respected, it operates under feeds of monetary and financial nature. The reasoning of the entity existence is to create a wealth of material and spiritual, intellectual, to meet a consumer market. The entity is a system, a economic, social and financial cell, offering / allowing the use of private and public capital. As a system entity has a material and human potential in constant touch, constant with ideas and money flows.

The role of accounting information

For the entity, the production of information is intended to highlight its financial position and its performance and communicating information obtained under normal conditions is a means of turning it. The degree of functional information system is a success factor that can ensure success entities.

Accounting information is a subsystem that allows identifying, measuring, classifying, and registering operations and other acts of the company, and after specific processing to provide information to meet the needs of different user groups. Some information is mandatory and public, others are offered exclusively to the shareholders. Most information concern the tax side and comprise the balance sheet, income statement, annexes and explanatory notes to be offered to financial institutions which are offered for publication in specialized fiscal and economic news.

Accounting information provided by accounting accounts serve as raw material in the development of diagnostics based on economic and financial reality, but also in determining the entity's tax obligations. So it is not sufficient only financial statements, annual or other accounts meticulous development, but requires more than ever now,

mastering and interpreting conclusions to be drawn from the development of such financial statements.

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