THE CONTENT AND QUALITY OF THE INFORMATION CONTAINED IN THE FINANCIAL STATEMENTS

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Abstract: *The financial statements are the basis of the system of financial and economic indicators - through which they collect and consolidate information aimed at financing and distribution of resources available to an entity. In this context, the financial statements it is the responsibility of the primary role of financial information and communication. Also, they shall be responsible for monitoring the objectives set out in the employment and distribution of resources feature, the pursuit of the deviations from the indicators plan according to the system of budgets, but also identify measures should be implemented in order to improve the activity of the entity. Last but not least, on the basis of the financial information shall draw up estimates of future activities, meant to substantiate the decision-making process at management level in the direction of the adoption of measures to render the activity.*

Key words: *managerial accounting, cost, expense, accounting information*

JEL classification: M41, M48

1. Introduction

The basic component of accounting documents, financial statements presents a structure whose content is rolling character, in the sense that it has improved continuously, including for certain entities and an instrument of the cash flow, or a statement of changes in equity.

However, we believe that we characterize this component as optimal. Also, we believe that the information contained in the financial statements need to be addressed in terms of their usefulness qualitative rather than quantitative.

On the other hand, it should be noted that the financial statements appear as a result of the interaction between the following categories of users:

1. the economic entities in the quality of subjects, through the activities that the proceeds provide subject to inform them of the financial management;
2. users of accounting information;
3. accountants by profession exercised nature.

Analyzing all three categories it is clear that those who are responsible to continuously improve the content of financial statements and to ensure the credibility of accounting information are accountants..

2. The necessity of accounting information

Although entities are often tempted to publish only certain types of information needs of users of accounting information are conditioning the decision-making process in this matter. This is a necessary approach because only on the basis of full information may be determined indicators of profitability, liquidity and solvency, needed for the various assessments of the primary users.

The values given in the profit and loss account are those which serve as basis for determining the profitability of an entity, for example, but not all of the information contained herein shall meet the needs of the users. We must take account of the fact that they can work and the estimated values, even in the context of the events that took place. We refer mainly to depreciation and provisions, which may influence the accounting profit of the entity. As a result, a profit, as he entered appears in the profit and loss account, does not provide users a signal necessarily favorable. There may be circumstances in which an increase in the profit margin to be the result of an accounting options or the use of new accounting methods. In order to obtain additional information in connection with this aspect, users can analyze the notes on the accounts. In our opinion, however, they do not provide any useful information to users, not possible to analyze the different accounting of alternative processes and the results of their implementation.

We believe that to carry out an analysis of the relevant to the profitability of an entity is required information to enable the comparison with similar entities, not only time comparison for the same entity. Comparison of random elements can be but irrelevant as long as the entities may opt for the use of different accounting policies. In such a context, the accounting information from different entities does not offer the possibility of a comparison. As examples, we can analyze the Depreciation charges on recorded by different entities. Their size is dependent on a set of variables, remember: the life, the residual value, the method of depreciation, etc. A comparison of such expenditure should be irrelevant and would have no meaning.

Liquidity and solvency of an entity together with profitability are other indicators of particular interest to users concerned. Because the liquidity shall be calculated on the basis of current assets and liabilities, a superficial analysis of financial statements might seem sufficient to form an opinion as to the ratio of the assets and liabilities, liquidity, respectively. However, since the concepts of assets and liabilities are concerned, the current interpretative liquidity becomes in turn a concept which leaves room for interpretations. Say this is motivated by the fact that the attribute "current" are characterized those items sheet which will be carried out over a period of 12 months from the date of the balance sheet. In this context, only the use of the system of rates can provide accurate analysis of the degree of liquidity.

Another contentious issue is the fact that the balance sheet and the profit and loss account may not highlight the entity's capacity to generate profit, namely financial risk which might affect its activity. In order to clarify this occurs the cash flow statement, which shows a summary calculation that highlights both cash flows and their training method.

3. The limits of accounting information

The limits of accounting information contained in the financial statements can be summarised as follows::

„-synthetic documents contain information that concerns the past, and the decisions they take information users are considering future;

- assessment base quantities in the financial statements is mostly historical cost;

- some of the information contained in the financial statements are based on estimates of different sizes, which causes them to have a subjective character;

- important user information are not included in the financial statements, as they may not be expressed in money (such as, for example, the information which relate to human capital and its "value");

- Even if the defining feature to attract funds should be transparent, some of the information may not be published by the companies in their financial situations, so that they would generate competitive disadvantages;

- interaction between the tax and accounting generates deformations of the information in the financial statements;

- freedom in applying accounting principles and rules may cause results not intended by accountants and real information"[7].

Despite these limitations, the information presented in the financial statements are at the basis of economic decisions by users. Moreover, to ensure a high level of credibility, they can be improved.

4. Ways to improve the content and quality standards of accounting information

Consider the following effective ways to improve the content and quality standards of financial statement information:

- The inclusion of accounting information supply balances designed to assist users in the adoption of decisions which, as a rule, have in view of the future;

- Disclosure forecast as budgets (aimed at business planning entity) and / or projections (forecasts of future events);

- The normalisation of the provision of information supply balances, which would allow the comparative analysis of the entities;

- Reduce the risks related to the confidentiality of the information, which could generate competitive disadvantages, lack of accuracy and maximum signal lacking credibility;

- professionalization and accountability issuers accounting information in the financial statements;

- preparation absolutely mandatory to all entities of a statement of cash - flow - sized objective indicator, which is not influenced by bias provided accounting result of profit and loss[8];

- preparation of a "social balance", containing information of interest to employees (eg. training courses, experience and seniority labor collective relationships etc.);

- presenting risks to which the entity must meet the risk management strategy adopted situation included as an annex to the financial statements.

Also additional ways to improve the quality of accounting information presented above, we believe that any entity should prepare an overview of its evolution or provide relevant information and detailed activity profile, market share, conducting business with the principles eco - economy, etc., information that may be required different categories of users of accounting information.

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[7] Feleagă N. (1996), *Accounting controversy,* Editura Bucuresti, p. 128-133

[8] When preparing the cash flow statement is mandatory for companies applying accounting regulations harmonized with international standards for other types of enterprises was optional, and once the change and republish the Accounting Law (2005) stops this entry.

5. Conclusions

It is mandatory for annual financial statements to comply with legislation, both of the national and the international scrutiny, that international standards were adopted. If the application of such rules is not sufficient to provide a true, accounting treatments that have been applied will be accompanied by explanatory notes, in which will be presented information, relevant and credible, useful and necessary decision-making processes of the users.

It is important to note that the objective of financial statements is dependent and accounting systems adopted usually different from one country to another. The argumentation assertions bring to the fore the accounting system Anglo - Saxon, in which the investor holds the most important position in terms of formulating objectives of financial statements. Unlike this system, accounting continental central objective of financial statements is provide fair, objective that we consider to be very large.

Moreover, depending on the category of the reporting entity or SME, large taxpayers or groups of entities, significant differences in the formulation of the objectives of financial statements.

Collection and use of accounting information in real time is particularly important in the context of risk management. Such targets can be set realistic and consistent, appropriate level of resources available to the entity. We believe that application and enforcement of IFRS may facilitate achieving all entity.

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