

ACCOUNTING INFORMATION – BASIC SUPORT FOR DECISION MAKING

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Abstract

In this work it is shown how the information provided by financial accounting information system used in the decision making process of the entities management. It also presents the implications of their use in planning and investments.

Financial information are built in order to respond to the management for decision making, but also to meet the information needs of other external or internal users. In this respect it is presented the accounting information system and the qualitative features and the manner in which is built to have real value for planning, control and decision making.

Key words: accounting information, decision-making system, accounting information system, economic entity

Introduction

In the decision making process of economic entities presents interest such technical information as well as economic ones. The last is of particular interest to accounting.

This category is part also accounting information. This is achieved by methods, procedures and instruments of its own processing of economic data. It is the most real, accurate, complete and operational information, supporting support for the management process, because a large part of the decisions to be taken in the management of economic entities are based on information obtained from accounting.

In the system of organization and management, an important component is the circuit of accounting information. The role of this circuit is to provide management accounting information for the adoption of decisions concerning the organization of activities and investment planning.

1. Information and its circuit in the financial accounting system of economic entities

The information in the general sense are news, a message that comes in every field of knowledge, the concept is expressing a written formula capable to bringing knowledge. The information consists of data that has been processed into a useful form and have real value for planning, control and decision making.

Accounting information system includes informational activities represented by the production and use of information by users. Specifically, there are three types of activities related to economic information:

- seeking private information that is not publicly available;
- analysis, processing and interpretation in order to forecast (predictive analysis);
- analysis of past performance (retrospective analysis); (Feleagă, L., (Malciu), 2005).

Also, as emphasized by C. Greiner, we must not lose sight of that (Greiner, C.)

- information are built objects, information do not grow in nature, they are artifacts, symbols deliberately created by social actors ;
- information provide representations and induce behaviors by complex mechanisms;
- along with formalized knowledge, tacit knowledge, unexplained knowledge, plays a very important role.

In the entities from Romania, financial information, as specific form that data are presented, obtained from certain internal or external source and serving for communication inside the organization to some receivers.

Current developments in society require continuous improvement of the economic and financial information. It must be built to meet both management requirements for decision making and information needs of partners.

For accounting information to be useful in the management system must meet four main qualitative characteristics: understandability, relevance, reliability and compatibility.

Intelligibility is essentially quality in that accounting information should be easily understood by users. For this purpose it is assumed that users have a reasonable knowledge of business and economic activities. (Ion Peres, Dorel Mates, 2009)

Relevance is their ability to be useful to beneficiaries in decision making. Accounting information is relevant when it influences the economic decisions of users by helping them evaluate past, present or future event confirming or refuting previous assessments.

Accounting information has the quality of being reliable when it does not contain significant errors, it is not biased, and users can be confident that is correct what information aims to represent or what is reasonably expected to represent.

For information to reliably represent events and transactions is necessary to be accounted and presented in accordance with their substance and economic reality and just according to their legal form. Accounting information should be neutral, without influence and to represent events and transactions faithfully.

Compatibility implies that the users can compare the information in the financial statements over time, to identify trends in its financial position and performance. Users should also be able to compare the financial statements of various entities to assess their financial position, performance and changes in financial position.

Contemporary developments in the activities of economic entities, development of market economy, increasing its complexity led to a corresponding development of economic and financial information.

Information during the production and exploitation has to go through several stages: collection - processing - transmission - reception - use. Whole, methods, techniques and tools used for the collection, recording, transmission, circulation, processing and using information in a system is the information system. (Oprean, D., Racovițan, D.M., Oprean, V, 1994).

Accounting information system is an organized grouping of complex information, which is obtained by processing data from some sources that are necessary for the organization, management and economic activity. The importance of such system results from the fact that it provides at any time the status and operation of economic entities in general, providing information about how are used resources, the existence of deficiencies and the need for their examination.

For the economic entities, shows interest the accounting information which can be used in the process of planning and organizing activities, for proper management, or specific activities and information which may be useful in adopting or not the decisions regarding investments.

A problem of financial accounting system is given by the set of financial statements which must be understandable and transparent, although four of the five components of the financial statements are flooded by information in numeric form which can create difficulties in their interpretation on the part of users which do not have minimum economic knowledge. (Ana Morariu, 2008)

The solution is given by IFAC by the notes and accounting policies. It is a problem of economic culture, of deep knowledge in applying IFRS, the judgment of the professional accountant in the art of making figures to be plausible, simple and relevant explanation such that after reading these statements any user can make the best economic decisions.

It is necessary that the accountant management apply the most appropriate control and reporting managerial techniques of the financial situation, involving activities of analysis, planning, implementation and control of programs intended for providing the financial information to the decisional system, in compliance with the IFRS. (Beke, 2010)

In the case of public economic entities, the makers are represented by the board members, in the case of organized services inside of specialized compartments of the local councils or subordinate to the mayor, respectively directors and shareholders of companies which manage the public services.

Also, the financial information of these operators is used by credit institutions or state regulatory institutions such as ANRE, ANRSC etc. We conclude, therefore, that the financial-accounting system of economic entities such as public or private has an essential role in providing information base to determine specific costs recorded by the tariffs.

The result of this is influencing by the achievement of revenue, because a tariff or higher price, if supported for beneficiaries, lead to the realization of a higher turnover at the same level of quality and quantity of the public services.

2. The role of accounting information in decisions making on investment projects what improve the quality of public utility services and their extension in order to increase the number of beneficiaries.

Any project of expansion or development is based on the economic side. Although, the domain public of utility services is based in particularly of achieving target the objective to increase the quality, expansion or development, however the problem of economic and financial profitability remained valid. Thus, the information of financial account have an essential role to the quantify mode realization of investment projects, as well as their final profitability.

Also obtaining repayable or non-repayable financing, obtained from credit institutions or European funds, is achieved by providing financial information that prove solvency of the operator and the financial return of the project for which funding is requested. Financial information should be made of data that have been processed into a useful form for the recipient and have real value for control, planning or investment decisions.

If using credit to cover the investment financing needs, financial creditors are interested in information that enables them to determine whether loans and interest will be repaid at maturity.

Also, in case of repayable funding sources must be proved the economic and financial profitability of the project and its contribution to improving the quality of services provided to beneficiaries.

Accounting information will provide data necessary to achieve the various stages of periodic evaluation of investment projects, especially in terms of compliance with financial criteria and after the implementation the project management will be used to determine whether the financial results and qualitative objectives have been achieved.

It must be a match between levels of organizational structures and categories of information required of each department involved and the amount of information conveyed in each compartment shall ensure timely execution of activities.

Due to frequent legislative changes in financial accounting, there are new requirements for information system, to be adapted continuously. Thus, it should be given importance for modernization of the financial accounting information system; it must acquire a dynamic character.

Also, job descriptions need to be updated in line with reality in the respect of duties to person responsible in the implementation of accounting information system.

Conclusions

In conclusion, the financial accounting system with the provided information for the economic entities management for use in decision-making is an important management mechanism.

The system plays a major role as regard to the future investments, which are intended to optimize the quality of the services of public utilities.

Financial health of the work of these entities is based on a quality service and production, has an indirect influence on the quality of life, and economic institutions of a community or region.

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