CONNECTION AND INTERCONNECTION BETWEEN FINANCIAL AND ACCOUNTING INFORMATION AND THE RISKS OF THE ECONOMIC ENTITY

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Abstract: *Most economic entities aspire to success, as performance management has become a work process that is not only useful but also mandatory. However, the much desired success cannot be achieved without a proper analysis, a situation in which information becomes the basic element in any transaction.*
Accounting information aims to meet the needs of a diverse range of users, needs that are complex and sometimes contradictory, and the dissemination of accounting information is a source of power, which requires that this process resulted from negotiations and trade-offs between the economic entity and external factors to be characterized by dynamism and reason. Obtaining and capitalizing on accounting information and, respectively, financial and non-financial information, in real time, has become an indispensable element in the current context of the market economy, taking into account the risks to which an organization is subject.

Keywords: *financial-accounting information, accounting model, financial and non-financial reporting, financial statements, information users, financial risk.*

JEL Classification: *M41 – Accounting.*

1. Introduction

Accounting is considered an informational discipline, studying the effects of economic transactions, but also other events, on the economic and financial situation and performance of a company, in order to inform internal and external users[6].

Since in the past the financial information was considered in the first place, nowadays the economic entities realize that it offers them only the consequence of the analysis of some economic-financial indicators, so with the extension to the social and environmental indicators we speak of a new value given to the entities' performance called global performance.

The success of an entity involves the gathering of economic, social and environmental information. Most economic entities aspire to success, as

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[6] C.Caraiani, L.Olimid (coordinators),"Bazele contabilității", Publishing House ASE, Bucharest, 2000.

performance management has become a work process not only useful but also mandatory; not being able to achieve the desired success without proper information, a situation in which performance evaluation is the basic element in any entity.

The decision-making process is perhaps the most important step in the functional architecture of an entity, due to the profound implications of their affiliation. In the decision-making process, the manager is forced to apply a certain reasoning, the purpose of which is identified in the implementation and monitoring of a certain solution based on financial-accounting information. Risk, defined as a variable event that can occur and have a negative impact on the organization's objectives, is one of the topics that have gained momentum, and its evaluation has become one of the management's objectives. The evaluation of the financial risk, that risk that characterizes the fluctuation of the result indicators under the incidence of the financial structure of the enterprise, has an important role in the management of the organizations, with impact on the planning and control functions, and especially on the decision making process. In the current economic context, the success of a business is a matter of adaptation to the environment, and the connection of the accounting information to the economic and social environment is a premise of the entity's functionality.

2. Literature review

Accounting models have been an intense concern of researchers, their influencing factors, as well as the differences between them being identified in a wide range of works, both in foreign literature (as reference names F. Choi, C.A.Frost, G. Meek with the work "International Accounting", C.Nobes, R.Parker authors of the book "Comparative international accounting", etc.), as well as in Romanian literature (N.Feleagă "Sisteme contabile comparate", M.Ristea, L.Olimid, D.Calu "Sisteme contabile comparate", I.Ionaşcu "Dinamica doctrinelor contabilităţii contemporane").

The main objective of the research is the detailed analysis of the theoretical foundations of accounting models, the aim being to demonstrate the connection between their evolution and financial risk assessment, identifying the correlation of accounting information - interest and risk assessment methods, but also if this evolution has changed the concern for measuring and assessing risk.

The specialists in the field emphasized the importance of knowing the financial accounting information and the evolution of the accounting models, trying to establish a link with the risk management activity; activity that started to take shape after the financial crisis. As Shimell P. (2002) points out, risk management in the new 21st century economy is different from the same activity in the 20th centuryThis new economy, dominated by technology, media and telecommunications has transformed businesses, which are experiencing an exponential development as they have never had before. Companies were preoccupied with dominating the economy and stock markets with the help of rapid growth, profits and assets. While the world economy and stock markets were growing, risk management was neglected by many companies, but in times of crisis this became critical. [7].

The diversity of the existing accounting theories influenced without precedence the accounting models, establishing a basis of their constructions. The great Littleton and Zimmerman[8] (1962) specify that accounting theory is the result of a careful examination of accounting practices, thus coming from seriously analyzed experiences, and also providing a logical explanation.

"Accounting is considered the language of business, and plays an important role in ensuring and maintaining good corporate governance," explains N.C.Shil (2003). Risk management is an important part of a company's corporate governance. Thus, the amendment of the Organization for Economic Cooperation and Development (OECD) presented by R. Anderson in the study "*Risk management and corporate governance*" (2009), highlights the importance of its integration in the culture of the organization, stating that it must bring a perspective to management on complicated issues that appear in complex organizations. Developing a smart organization in terms of risk requires understanding the maturity of risk management throughout the organization"[9].

3. Accounting information - the main link between the accounting model and risk analysis

In any organization, accounting is a quantitative reflection of economic processes and circumstances with the role of presenting relevant financial information that is used for the successful management of the organization. Knowing how accounting has developed is useful to be able to anticipate its changing directions. One can also understand certain accounting models by knowing the factors that influenced their development. The industrial revolution, the evolution of taxation, the development of capital companies, the evolution of financing and governance, the regulatory factor and the development of professional bodies are the factors that influenced the evolution of accounting and led to scientific thinking.

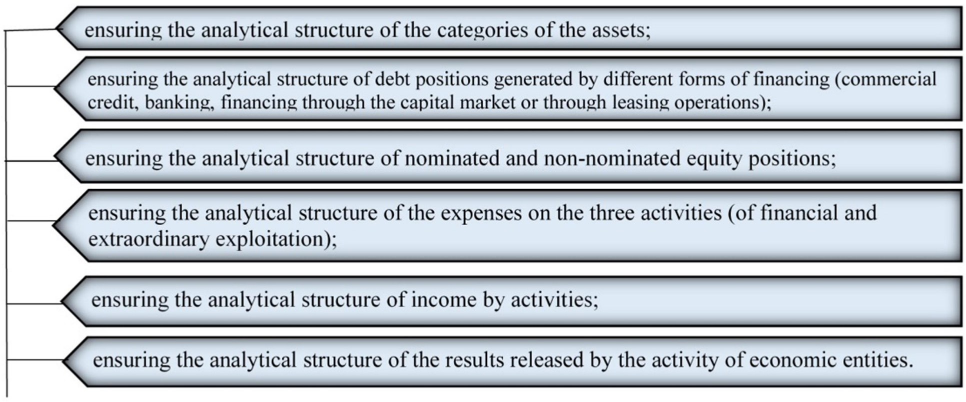
The main methods of transmitting accounting information is financial statements but, in general, financial reporting is not associated with business planning, decision management or understanding of information systems. Managerial and

[7] P.Shimell, "The universe of risk", Ed. Pearson Education, Londra, 2002, pg. XVII
[8] A.C.Littleton, V.K. Zimmerman, „ Accounting Theory : Continuity and Change", 1962, Ed. Prentice-Hall.
[9] R.Anderson, "Risk management and corporate governance", Organization for Economic Cooperation and Development (OECD) reports, 2009

financial accounting are seen as two systems independent of each other, but the process of accumulating financial information for the preparation of financial statements for reporting purposes can be integrated into other business processes. The same information can be used by the management, marketing or even legal teams of the organization.

The financial statements form the informational support that is the basis of the financial analysis necessary in formulating a financial diagnosis, but also the basis of the risk analysis for estimating the possible exposure. The objectives of the analytical accounting of the structures of the financial statements are delimited to the environment of use of the accounting policies and accounting options which illustrate more requirements. Objectives regarding, the presentation of the entity's performances through the analysis and evaluation of a variety of final or interposed performance indicators, total or partial, through which to analyze the economic-financial management of the entity[10].

Figure no. 1. Objectives of analytical evidence on the structures of financial statements



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Success reported using performance indicators based on relevant financial information is based on just ideas that reflect reality and highlight fundamental assumptions of the entity's economic governance. The process of using and budgeting working capital, as well as guaranteeing self-financing or economic and financial stability are related to indicators such as: commercial margin; added value; exercise production; gross operating surplus; self-financing capacity; managerial reserve; working capital; the required working capital; net cash.

Risk management is an activity described as the art of making decisions in a world ruled by uncertainty, being a complex process of identifying, analyzing and

[10] Caraiani, C., Dumitrana, M., Contabilitate şi control de gestiune, Publishing House Infomega, Bucharest 2004, pag.11.

responding to the risks to which the corporation is exposed. With the help of the above mentioned objectives, the financial statements prepared on the basis of the accounting information "move" the participation limits of the treatment of the target managerial objectives beyond the limit of the capitalization activity, on the field of the financial activity of the entities. The materialization of the forecasts and the control follow the creation of the provisions in the balance of incomes and expenses of the overall activity of the entity but also the creation of the partial budgets by functions or activities of the entity represented by: the general activity budget; production activity budget; the budget of the investment activity and the budget of the financing activity.

Within the risk management process, one of the most important stages is the process of accumulating and processing the necessary information. Thus, the efficiency and quality of the information obtained directly depend on the efficiency of the risk assessment. The configuration of the information collected and its implementation in the integrated financial reporting is done by using models of situations with reference to: mission and assessment of the entity, performance policies, fundamental purpose of social responsibility, area of competitiveness and its effects, success, indicators used in appreciation of results and concern of all stakeholders in achieving objectives.

Acknowledged as basic tools for maximizing the trust of different categories of users (consumers and investors), financial-accounting information is found not only in reports such as annual financial statements, but also in non-financial reports. The latter produce additional information that expresses the consequences of effective social involvement and the environmental protection measures accepted by the entity. Through these reports, the application of the corporate social responsibility in practice is carried out.

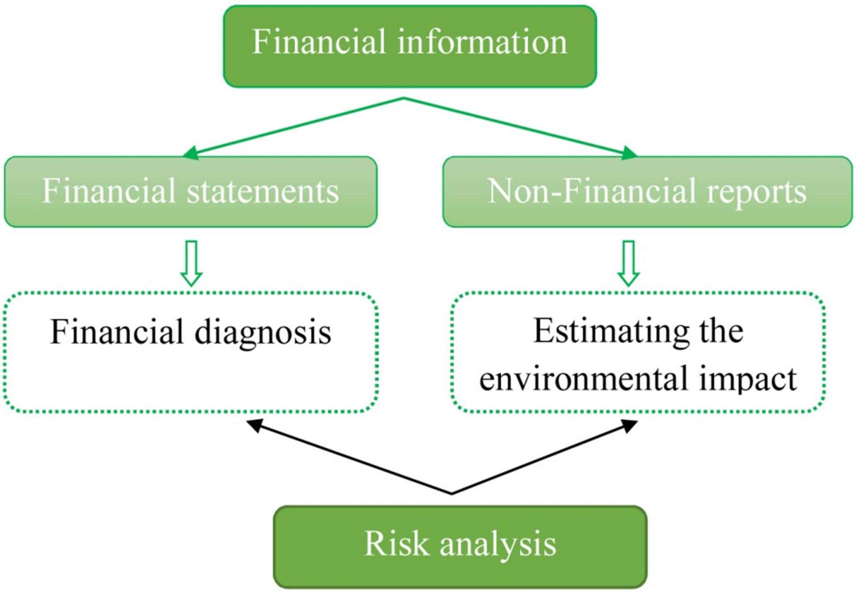
Users operate financial-accounting information for various financial and non-financial analyzes, in order to substantiate economic decisions. The elaboration of all types of reports serves the management of the enterprise for the observation of the economic-financial performances, but also as a basis of the environmental impact on the future activities.

A study conducted in 2010 and revised in 2012 "*Does mandatory IFRS adoption improve the information environment*?" demonstrates that as a result of the transition to international standards, the accuracy of estimates and other measures of the quality of the IT environment have improved significantly, especially for companies required to adopt IFRS, than for those that have voluntarily or have not yet adopted them. The same study showed that improving the IT environment can be attributed to the quality of information as well as increasing the comparability of results[11]. Also, the increase in the accuracy of the estimates following the

[11]A. Horton, G.Serafeim, I.Serafeim, "Does mandatory IFRS adoption improve the information environment? ", Contemporary Accounting Research, no.X, pg.2,2012

mandatory adoption of IFRS is associated with the increase in opportunities for companies to manage gains close to targets.

Figure no. 2. The role of financial information in risk analysis



Source: own design.

Analyst estimates are an important part of the decision-making process, as well as risk management, being a basis for these processes. Reducing the asymmetry of information received by potential investors, creditors and other stakeholders, the comparability of financial statements are also a benefit of implementing international standards, as shown in a paper by specialists from Harvard Business School. They demonstrate that most improvements are made in countries whose national standards differed significantly from IFRSs.[12].

Banks, insurance companies and listed companies were the first to be required to adopt international financial reporting standards, ensuring a greater degree of transparency in financial statements. In order to make the obligation to apply IFRS much more clearly, the supervisory bodies of these institutions - the Insurance Supervisory Commission (CSA), the National Bank of Romania (BNR), respectively the National Securities Commission (CNVM) - applied sanctions for non-compliance with IFRS, which went until the withdrawal of the operating license of that institution.

[12] F.Brochet, A.Jagolinzer, E.Riedl, "Mandatory IFRS adoption and financial statement comparability", 2011, pg.2

This confirms the hypothesis of the overwhelming importance of credit institutions and insurance companies in increasing public confidence and economic development. It also attests to the need for a healthy capital market, a sponsor of future investments. Organizations in the Romanian business environment obligated to apply IFRS will certainly encounter difficulties. There is an acute need for the translation of all targeted materials, for the training of specialists in the application of standards and for the subsequent dissemination of their knowledge, activities that generate serious costs and time consuming, but the procedures started in this regard continue successfully.

In fact, these efforts serve to achieve a degree of transparency in financial-accounting communication and to easily interpret the financial-accounting information provided by organizations around the world, a process from which will ultimately gain organizations and specialists in Romania.

The acquisition of a fund of knowledge and experience regarding the application of IFRS must be doubled by solving the problems related to the technical conditions for transition to these financial reporting standards and to cover the additional valuation costs generated in order to determine the just value of assets in their own balance sheets. Valuation costs depend on the structure of the organization's assets and its type. The lowest costs will be generated by foreign organizations[13], where audit, evaluation and expertise practices are an old custom. Unfortunately, it seems that local organizations will cause significant costs, especially for those with a large volume of tangible assets. The additional costs related to the preparation of the financial statements according to IFRS will be endorsed by the organizations concerned. And the list of problems can go on. The Romanian organizations selected according to the established criteria, forced to apply IFRS in the financial-accounting activity, starting with 2007, are enterprises with public responsibility, in which there is a high degree of interest from investors or shareholders, based on financial external reporting in obtaining information about the organization. At the same time, in the Romanian economy, the international norms will be applied to the enterprises that have responsibilities related to the provision of a public service of vital interest by the nature of the activity carried out.

The application of IFRS as an accounting basis involves resolving interactions with the provisions of applicable law, so as to avoid uncertainties, confusions or inconsistencies that could affect the quality of accounting reporting that is compliant to IFRS. It is necessary to analyze to what extent the accounting information produced according to IFRS standards can be used for prudential purposes, when calculating distributable profit or tax profit and what are the solutions for optimal coexistence, taking into account the objectives of different regulations.

[13] Horomnea, Emil - Fundamentele ştiinţifice contabilităţii, Editura Tipo Moldova, Iaşi, 2010, p. 107.

The role of financial accounting is to record the transactions of an organization with its external environment, for the periodic and systematic determination of the patrimonial and financial situation, as well as the results of the operations performed; the financial accounting information is retroactive and is made public, according to the legal provisions in force.

Management accounting produces most of the information intended for decision-making processes, and from the financial accounting can be extracted, in addition, data for the current management of customers or suppliers relations, for substantiating investment and financing decisions, for correcting the effects of inflation on the management's decisions. The information produced by financial accounting falls within the scope of economic-financial analysis, and will contribute to the substantiation of managerial decisions. Analysis of costs per product, work, service in case of productive economic organizations, taking into account the type of cost (operational, structural, functional), economic content (partial, complete), the temporal aspect of the information (default cost, pre-calculated or real cost) should highlight the ratio between the expenses of the period reflected in the financial accounting and the costs of products and services reflected in the management accounting, the ratio between variable and fixed costs, between direct and indirect costs, between justified costs and those with activities that do not create value.

In the literature, the hypothesis that a high-performance accounting model (such as the one based on IFRS) determines a quality accounting reporting that improves the transparency and comparability of financial information, which has the effect of reducing the cost of capital for economic entities, exists. Until this date, however, the relationship between the quality of financial reporting, the quality of accounting regulations and the cost of capital is not clearly empirically substantiated, among the issues raised being the way of quantifying (operationalizing) the quality of reporting [14] or the cost of capital (both own and borrowed). In addition, the issue has become more difficult in terms of awareness considering the existence of institutional factors specific to each country that affect the cost of capital independent of the provisions of accounting regulations[15].

In the exercise of his profession, the professional accountant must conduct his activity on the basis of the norms of professional deontology and on the application in good faith of the accounting regulations and of the professional judgments. To always improve, to be always up to date with the new regulations, to know the tendencies in the field of European and international accounting regulations is practically about our self-respect. We are constantly preparing to face the new challenges of the profession, to develop our knowledge and put it at the service of

[14] Haussaire, A., Pujol, J. P. - Organisation du système d'information comptable et de gestion, Dunod, Paris, 2004, p. 97.
[15] Kroenke, D. M. - Management Information System, Mitchell McGraw-Hill, 1992, p. 115.

our clients. Continuous improvement, in the current conditions, is an obligation that if we do not honor it we lose the tough competition on the market. Businesses are becoming increasingly aware that a professional accountant has an important role in the economic and financial management and hence the growing importance that our activity will have. Accounting remains, at the moment, a very dynamic field at international level. The accounting profession has long ceased to be confined to the image of the "sleeve employee" who makes additions and subtractions. The activity of a true professional accountant is very different, creative, based on a knowledge that must go beyond the scope of application of domestic and international legislation in force regarding the accounting and auditing of organizations. A representative of the accounting profession, today, must have an integrative vision on the overall activity of an organization, to have knowledge of economic-financial analysis, evaluation, control, financial audit, informatics, strategic management, ethics etc., so that he can practice this profession and be able to easily collaborate with other specialists, in order to obtain and capitalize on financial-accounting information in the interest of the organization, in substantiating its decision-making processes, thus being an efficient professional accountant.

4. Limits of financial - accounting information in risk identification

Financial-accounting information has certain limitations that can interfere with risk management. For example, if there is a delay in obtaining and reporting financial - accounting information, it may lose one of its important features, namely relevance. Thus, a balance must be found between meeting deadlines and sufficient credibility. To provide timely information it is necessary to report all aspects of a transaction or event. We thus deduce a balance between relevance and credibility, taking into account the satisfaction of users' needs in the decision-making process.[16]

The main feature, but also the limit of financial indicators in the classical accounting system is that they measure the past and what is easy to measure. Due to the limitations of financial information and its impossibility to capture all facets of performance, more and more non-financial information is required, especially in the interpretation of the values resulting from the calculation of formulas for certain risks.

The balance between the advantages and the costs with which the information is obtained constitutes a general restriction, the advantages obtained by the users of the accounting information must be superior to the cost of its provision. Also, obtaining an adequate balance between the characteristics of the accounting information, but also their accurate presentation are necessary to satisfy the

[16] D.Matis, O.Candrea, R.Mustata, "Comunicarea informației economice", Tribuna Economică, Bucharest, 2005

objective of the financial statements, because they are the result of the application of the main qualitative characteristics and the appropriate accounting standards.[17]

Thus, the limits of financial-accounting information that can influence decisions are:

- the use of historical cost and inflation - the data provided by the accounting are expressed in historical figures, not being adjusted with the consumer price index, so in order to ensure the comparability of the data it is necessary to reprocess them;
- the use of different stock valuation methods (FIFO, LIFO, CMP) - creates difficulties in making comparisons between entities.[18]

In the case of the standardized accounting model, these limits are eliminated by using fair value measurement, which is an important step especially in relation to investors, due to the implications on the credibility and comparability of financial statements.

Accounting was categorized by the great researcher Jean Fourastié as the safest method of economic observation, being coordinated by finality principles. He is of the opinion that accounting models must evolve under the influence of needs. Bernard Colasse also states that "accounting is the oldest of all management sciences […] it is history itself: accounting books have a vocation to keep track of a number of events with economic consequences"[19], but we must not forget that accounting models are currently in a continuous development, even if they are based on the historical evolution of accounting. In any organization, accounting is a financial reflection of economic processes and circumstances. The role of accounting is to present relevant financial information that is used for the successful management of the organization, being, at the same time, an element of manipulation in providing stakeholders with clear details related to the course of business and its financial impact.

The first purpose of accounting is to inform the outside world. Stakeholder groups, such as shareholders and creditors, want to be informed about the amount that was created or lost in the previous period, the sources from which the money came and how it was spent, and, finally, how the financial situation evolved during that period. That is why it is very easy to carry out a mass manipulation using financial-accounting information that presents the organization in a favorable light, even if the reality is completely different. The presentation of less transparent and coherent reports, respectively the distorted presentation of transactions and events, will only lead to a negative influence on the future of the organization in order to execute the rights and obligations.

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[17] D.Matis, O.Candrea, R.Mustata, "Comunicarea informaţiei economice", Tribuna Economică, Bucharest, 2005

[18] N.Todea, I.Dorin, A.Udristoiu, "Calitatea informaţiei contabile suport al deciziei manageriale", Analele Universităţii "Constantin Brâncuşi" fromTârgu Jiu, Economic series, no.3/2011, pg.156

[19] B.Colasse, „Comptabilité générale", 9e édition, Ėditions Economica, Paris, 2005

The role of accounting information is to support financial and operational management through the internal monitoring of the organization. The availability of real, detailed and specific information enables the responsible persons to follow the course of the business in accordance with their mandate and to perform economically. Only in this way does accounting play an important role in internal management and decision-making.

5. The importance and the stages of financial risk management

Smart companies recognize risk management as one of the responsibilities of boards of directors. New requirements and guidelines related to corporate governance, financial reporting and company law make it necessary to manage and report company risks in a holistic and precise manner.

One of the factors behind the rapid development of financial risk management is the high level of instability of the economic environment in which companies operate - environmental volatility. It exposes companies to higher financial risks, causing companies to identify more efficient ways to manage risks. To this volatility is added the intensification of trade activity since the 1960s and the development of information technology. Improving the latter has made possible the computational power (new techniques can be used) and the speed with which calculations are made[20]. In the contemporary period, other important factors have led to the emergence of new methods of financial risk management. Of these, the most important are globalization and relocation to countries with cheaper labor.

Financial risk management is the process by which the company copes with the uncertainties resulting from the financial markets. This includes assessing the financial risks facing the organization and developing management strategies in line with internal priorities and policies. Proactively addressing financial risks can give the company a competitive advantage. It also ensures that management, operational staff, stakeholders and the board of directors agree on key risk issues.

Financial risk management requires organizational decisions linked to the risks that are accepted, versus those that are not. The passive strategy of not taking any action is equal to accepting all risks. A variety of strategies and products are used to manage financial risks, and it is important to understand how they act to reduce risk in the context of the company's tolerance and objectives[21].

Financial risk management is a component of the company's financial management, seeking to control instability related to certain operations or operating costs (operating risk related to cost structure, risk of indebtedness related to the effect of the company's financial structure, risk of bankruptcy), but also to

[20] K.Dowd, „An introduction to market risk measurement ", Ed. John Wiley&Sons, 2002, pg.2-3
[21] K.Horcher, „Essential of financial risk management", Ed.John Willey&Sons, New York, 2005, pg.3

control the influences exerted on the enterprise by the inherent instability of some environmental variables (exchange rate risk, interest rate risk), or by the special transformations that take place in the institutional environment (administrative risk and political risk)[22].

Risk management according to P.Hopkin[23] has 7 stages, in some of these, the accounting information provided by the accounting model is of significant importance.

Table no.1. Stages of risk management and correlation using accounting information

Stages of risk management	Using accounting information
Recognizing and identifying risks	Yes – accounting primary source of information.
Classification and assessment of risks in terms of magnitude and probability	Yes – accounting primary source of information.
Responses to significant risks, including decisions on the most appropriate ones - tolerance, reduction, transfer or elimination of risk.	Yes – calculating risk impact on results.
Resource control to ensure that the necessary control activities can be introduced and supported	Yes – budget analysis.
Reaction planning and / or event management	No.
Reporting and monitoring performance, actions and events related to risk	Yes – monitoring information with the analysis of results.
Review of the risk management system, including internal control procedures and revisions, and improvements to the risk architecture, strategies and protocols.	No.

Source: own design.

[22] I.Vasile,"Gestiunea financiară a întreprinderii", Ed. Meteora Press, Bucureşti, 2002, pg.19
[23] P.Hopkin, „Fundamentals of risk management", Ed. KoganPage, Londra, 2010, pg.39

We consider that in 5 out of 7 stages the information provided by the accounting model is essential for an efficient risk management. Accounting is an important source of information underlying the identification and assessment of risks. But this is not the only function it has in the risk management process, calculating the impact that risks can have on results is of particular importance on making the right decisions about how to approach them. However, these decisions require financial resources, and information about the possibility of their implementation cannot be taken without a financial analysis of the company's results. We deduce accordingly that the activity of financial risk management is closely related to the information provided by the accounting model.

The main purpose of this process is to provide decision support. As we can see from the steps presented above, we start with risk identification, risk analysis and description. All analyzes performed are frequently referred to as risk assessments[24]. From our point of view, this stage of risk assessment is very important, as the other steps directly depend on it.

The link between risk and the accounting model can only be one of interconnection and mutual determination, accounting information being the main common point. The different objectives of financial reporting, influenced by the economic, cultural and social environment of the country in which the company operates, lead to different ways of approaching risks, a different prioritization and implicitly different valuation methods.

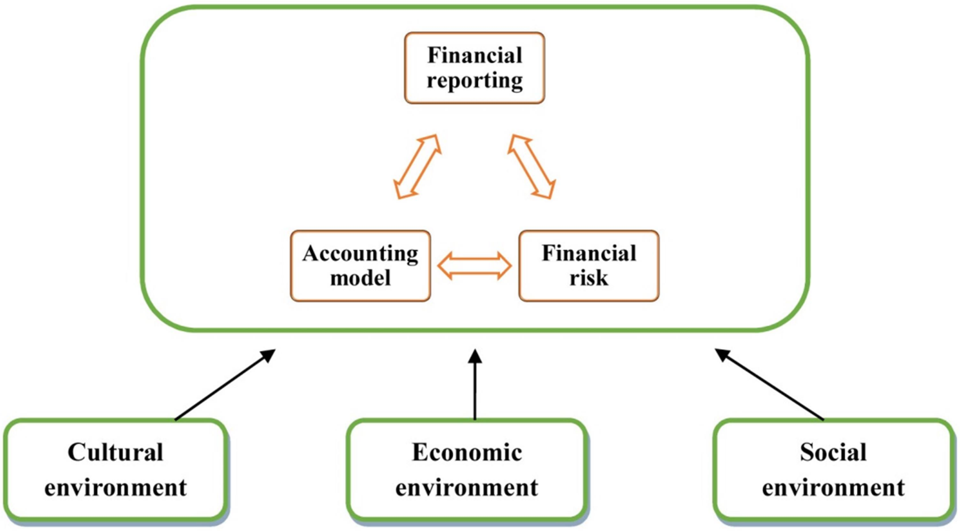
We ask ourselves if "financial risk can be considered a determining factor of the accounting model?". We consider that the importance of financial risk assessment and management has implications for accounting information needs, determining different reporting methods. At the same time, the evolution of the notion of risk is based on changes in the business environment, and the progress of valuation methods has been possible due to changes in accounting models. In our opinion, the relationship between financial risk, accounting model and environmental impact can be outlined as follows:

Generally, an accounting system processes data describing all activities, for which numerical information is available, attested by supporting documents and expressed in monetary standard, which must serve the planning, control and presentation of the balance sheet of an organization. The multitude of informational needs of the various users of accounting information determines the constitution of two representations of the same reality: an "*internal*" representation and another "*external*" one. Formally, this dual representation finds its concretization in the existence of two components in the accounting information system of the

[24] T.Aven, „Risk analysis and management.Basic concepts and principles", R&RATA # 1, Vol.2, 2009, pg.57

enterprise: general or financial accounting and management accounting or managerial accounting.

Figure no.3 The relationship between financial risk - accounting model - environmental impact



Source: own design

Another question we ask ourselves and seek answers to is "can financial risk be considered a determining factor influencing financial audit activity?".

We consider that we are dealing with two aspects of the quality of the financial auditor's activity, namely the quality of the audited financial-accounting information and the quality of the audit itself, both addressing the same "clients", respectively the beneficiaries of financial-accounting and auditors reports (opinions). The quality of the financial-accounting information, respectively the information from the financial statements, is as well defined by IFRS / IAS as it can be (General Framework. Qualitative characteristics of the financial statements). However, these definitions lack some references to economic information in a broader sense and to the predictive potential of this information, elements that prove to be extremely important for users, which can meet the expectations of beneficiaries (users) of information in financial reporting - accounting, in the sense of their credibility and usefulness, but within the limits of the applicable professional standards accepted.

A reference system for quality assurance is the one developed by ISO (International Organization for Standardization), respectively ISO 9000. The purpose of these standards would be to make comparisons between equal companies ("ISO" in Greek means "equal"). These standards provide a baseline on how to achieve the basic quality goal, meeting customer expectations through the participation of all organizational components to the quality optimization efforts and to the documentation of specific systems and procedures.

The quality of the information provided through financial reporting, which directly involves International Accounting Standards, is an end in itself. They must add value to the financial reporting system in support of the stability of the financial system and economic growth. The International Accounting Standards, through the general framework of IFRS 1 identify four qualitative characteristics that determine the usefulness of the information in the financial statements. This information must be[25]:

- easy to understand by users;
- relevant for the users to make decisions;
- believable;
- to correctly represent the transactions and other events that they either represent or are reasonably expected to represent;
- to represent transactions and other events in accordance with their substance and economic reality, not only with their legal form;
- to be neutral, which means impartial;
- to fight the uncertainties that may inevitably arise in some situations and circumstances by exercising caution;
- to be complete within the threshold of significance and cost;
- to be comparable to the information provided by the entity in its statements over time and to the information provided in the financial statements by other entities.

The usefulness of the information contained in the financial statements depends on a number of characteristics, such as: relevance, exact representation, comparability, verifiability, opportunity and intelligibility.

Relevance: Relevant financial information has the ability to help information users make decisions. On the other hand, financial information has the ability to help information users make decisions whether they have predictive value, confirmatory value or both. They have predictive value if they can be used as inputs in user-applied processes to predict future results. In order to have predictive value, financial information does not have to be a forecast or a prognosis.

[25] *** International Financial Reporting Standards issued on January 1, 2018, part A, Publishing House. CECCAR, Bucharest, 2018

Exact representation: The annual financial statements describe economic phenomena in words and figures. To be an accurate representation, a description must be complete, neutral and error-free. A complete description includes all the information necessary for a user to understand the described phenomenon, including the necessary explanations.

Comparability: Information about a reporting entity is much more useful if it can be compared with similar information about other entities and with similar information about the same entity for another period or date. Comparability is one of the qualitative characteristics that allows users to identify and understand the similarities and differences between elements. Unlike the other qualitative characteristics, comparability does not refer to a single element. A comparison requires at least two elements.

Verifiability: Verifiability helps to assure users that the information depict exactly the economic phenomena they aim to represent. Verifiability means that different independent and knowledgeable observers could reach a consensus the fact that a particular description is an accurate representation.

Opportunity: Opportunity means that information is available to decision makers so that they can make timely decisions. Generally, the older the information, the less useful it is. However, some information may remain relevant long after the end of the reporting period because, for example, some users may need to identify and appreciate trends.

Intelligibility: The classification, characterization and presentation of information in a clear and concise manner make it intelligible. Some phenomena are inherently complex and cannot be transformed into easily understood phenomena. Excluding information on these phenomena from the financial statements would lead to the situation that these reports would be incomplete. Financial reports are prepared for users who have sufficient knowledge regarding the business and economic activities and who study and analyze the information with due attention. However, the presentation of the financial statements must be made in such a way as to allow their understanding by the different categories of users of the information contained therein.

In Romania, the evolution of accounting has been correlated with international changes, characterized by attempts to ensure a common framework for preparing and presenting financial statements to provide information that meets the conditions specified above to investors, financial creditors, managers, and other users interested in the accounting information; to make it possible to assess the risks inherent in the investments, as well as the income they may bring.

6. Conclusions

Knowledge and dissemination of information is a complex process of reflecting the practical reality in people's consciousness and in their productive activity, a permanent approach of man to the phenomena and processes of nature and society. This is done gradually, reflecting reality. The results of knowledge - verified in economic and social practice - are authentic knowledge, which constantly moves from relative truths to absolute truths. The perception of information in literature is that information is "a generic element of the process of knowing and representing reality, as well as conception and communication, inherent in human action, at the scale of society - in general - and organizations - in particular".

The parameters of information efficiency are determined by the degree of *subjectivity - objectivity*, by its servitude to the user, by the temporary duration taken as reference, but also by the qualitative and quantitative aspects, in this sense the most expressive example being the notion of "accounting information". The information is associated with a *utility value*, representing the possibility of saving, this being calculated starting from the difference found between the effects of a decision promoted by and without the *knowledge component*. The value of utility is directly influenced by the physical and moral depreciation, which becomes predominant. The information is exposed to a high degree of degradation, this being automatically included by the production and dissemination of actions resulting from the diversified and polyvalent interaction with the sum of information from a certain environment.

Accounting information can be assimilated and analyzed through the prism of three aspects: *semantic, syntactic and pragmatic*. The *semantic* aspect of information refers to the importance it has for the receiving element. The *syntactic* side highlights the way in which the signs that compose the information remove an element of uncertainty, of determining the phenomenon, and the practical utility of the information for the user synthesizes the *pragmatic* aspect. *Therefore, economic information is characterized by the fact that it expresses explanations on* economic resources, production, distribution, exchange and consumption of results, being formulated on the basis of a set of indicators that together form the "data repertoire" indispensable for coordinating an efficient economic process.

Based on the general principles stated regarding the functioning of economic systems, as well as the purpose of financial accounting information in establishing information links, we can conclude that, while the content of information is conditioned by the managed system, its form is given by the management system. If in the process of obtaining information, their form may involve changes depending on the means and procedures used, the content will remain the same, regardless of the structure of the system that led and leading.

The pace of change, registered in Romania in recent years in the financial-accounting sphere, is far ahead of the evolution of economic performance. The observed realities have substantiated and will continue to influence the recommendations received by the organizations from the Romanian economy in many other directions, related to the optimization of management and financial-accounting communication such as, for example, the corporate governance model specific to Romania. Against the background of the globalization of national economies, we are currently witnessing a phenomenon that could lead to the formation of a universal accounting professional.

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