

## The Place and Role of Information System in Exercising the Financial Control

*Florin RADU*

*Ciprian GIJU*

*Alina Iuliana TĂBÎRCĂ*

*“Valahia” University of Targoviste*

*florinuniv@yahoo.fr*

### Abstract

*Considering the technological and economic changes over the years, we have found that we are currently witnessing an increase in the information system in the future. In fact, it is found that the information domain has known divergence over time, significantly in practice. Therefore, it is not surprising that the academic recommendations are rarely adopted by practitioners in response to this problem, so it is suggested in the future a turn towards the practice.*

**Keywords:** *information system, financial control, management, e-commerce*

**JEL Classification:** L86, M49

### 1. “Past – present - future” axis in the feature of the information system evolution nationally and internationally

From the studies carried out by us, we found that the information systems history exists for over five decenniums now. However, since the beginning, the information system aimed at expanding business and industry in global markets. Today, the spine of the information system is called the World Wide Web, Internet, or as an affair in the local network, together with the lists of acronym words Buzz, EDI, EIS, ERP, SCM and many others to describe new methods that shall be used to develop an affair.

#### 1.1. Information system – conceptual approach

Unlike the speed of information referred to nowadays as compared to forty years ago, the climate of business in the United States was faced with an increase of the information system after the Second World War. During the war, also took birth first computers or Turing machines. By today’s standards, these early practical computers were used as pocket calculators. However, the first operation computers were used to stimulate higher and more complicated systems in business and industry, thus helping greatly to improvement. In this context, since the early days, new technologies have been stimulated the birth of studies in this field that became known as computer systems.

In our opinion, the financial system is the most important information system about the unique management within the entity, but in most companies, is the oldest and most well developed. These systems practically occupy the large amounts of data for

planning in the financial sector. Periodically, management approves a financial plan that assigns responsibility in maintaining income, investments and costs within standard limits. These plans represent the base of the periodic financial reports, used by the control system in the future.

From the operational point of view, within a producing enterprise this kind of system is no doubt essential. It crosses all limits of the subsystem having impact on the entire enterprise. The system of production operations refers to data about the actual flow of goods, or data about the manufacture of services and goods. This system covers activities as planning of production in controlling inventory and management, procurement, transport and distribution.

The operating system is a production model, where the amount of information is very large, but the calendar information is also crucial. The system of production and operations is the most suitable to adapt to mechanization and production, but also brings the greatest profits when speaking of an immediate solution to the critical and costly problems. Even if other software (for example, decision-making) shall offer greater expectancies, this functional area offers immediate gains usually.

The management and marketing information system (Nicolescu O., Nicolescu L., 2001) is a base of the marketing function suitable to an improvement of information systems, which include: Planning/Sales forecast; Market Research; Advertising; Operation and control of information.

Data are facts about people, objects, or events such as name, age, address, telephone number, account number, credit card number, customer, supplier, or product purchase. E-commerce allows information to flow between organizations, external customers, suppliers and competitors. In addition, supply chain management enables organizations to track the delivery of a product with a bar code or radio frequency code identified directly to the customer. This paper will discuss the following issues: environment design business; leadership roles; changing world of work.

The management team must adapt to corporate business unit and departmental competition strategies on the world market.

The information system is virtual radio frequency identification for a supply chain organization. Wireless communication devices Android and iPhone have interfaces for applications with Internet access, Wi-Fi, Bluetooth, camera, GPS and data storage, which stressed that virtual identification of radio frequency brings many benefits, including: a better landing of sales and planning for desired styles, sizes and colours, but also better customer service offered by the staff. The main benefit of the virtual technology radio frequency identification is the reduction of costs and improvement of business operations through the supply chain.

Through the leadership role, the management team seeks to allow the supervision of internal controls within business corporations. To get an understanding of business models and key processes, before implementing technology, top management focuses on strategic and operational technology in order to align business initiatives also in information technology area. The management team can use a scoreboard or an average risk scorecard in the field of ICT.

Top management is responsible to implement a logic security policy in the methodology of software and lifecycle development and also in managing change policy, of procedures in the system of personnel and interface of database and network. Final users should be encouraged to share ideas or feedback regarding the functional design of technology initiatives, business testing applications and to receive training.

## **1.2. The role of information system within decision-making process**

In our opinion the system is a set of interrelated elements, system that sets a dynamic interaction by means of predetermined rules, in order to achieve the objectives. From this theory it has been loosened the idea that any economic body is a system (Stanciu, V., 2007).

The management system is a decision maker in an organization that seeks to coordinate and manage the smooth functioning of an economy. The information system is composed of all internal and external information used within an organization, obtained by the collection, transmission, storage and processing of data to be made available to management. Any entity interacts with external entities for receiving information from the outside but also by providing information to the outside world.

The information system is linked to the computerization of the work within the organization by using hardware and software for organizing and managing information. The information system is the system that connects the user and integrated computer, this providing information to develop the activity in an organization based on data and mathematical models through analysis, planning, control and decision making.

## **2. Strategic importance of the information system in exercising the financial control**

Through the financial forecast, we follow the process of forecasting the entries and exits of funds within an entity in the long term in the time to come. The exits of funds should be balanced with inflows on a long-term. Globalization in the field of business represents a function of financial projection becoming very complex because the activities in many national exchange markets should be consolidated, considering the multiple currencies' caprices. This framework analyzed is utilized in order to prepare the entity for various contingencies. Financial projections are based on computer models known as cash flow patterns. These vary from templates for simple spreadsheets to sophisticated models developed by the industry, but also customized for the entity or, in the case of large corporations to specify the financial operations shaping. Financial forecast serves to identify the need for funds and supplies.

Budgets represent the main tool that the financial control exercise in a public establishment. The budget shall specify the resources employed in a project for a certain assignment or for a time period. At the level of activity of the institution for which it has been drawn up the budget, static budgets are independent. Dynamic budgets undertake assets depending on the activity volume. Spreadsheet programs are the main tools of budgeting. Sheets represent the productivity custom tools utilized today for the budget's drawing up.

In our opinion, budgets as part of a theoretical system are used as guideline for leaders so that they can make a comparison between the current results using the information systems. The reports of performance help to verify budgets on various levels of management. A report of performance shows the current financial findings the establishment has produced in order to make a comparison with the results expected. Together with the budgets and reports of performance, the financial control holds numerous indicators showing the results of performance of the company. The Return On Investment (ROI) is a very wide used financial report. This indicator lets us know whether

the company has properly used its assets. ROI's value shall be obtained by splitting the company's net profit to total investment.

### **2.1. The connexion between the information system domain and the financial control domain**

In the information system, internal control is the function that provides an independent assessment of an entity's accounting and operational procedures based on information (Popa Ş., Ionescu C., 2005). All major entities have internal control, responding only to the Board. Internal control is a form of evaluation of how management uses the resources of the entity.

From this analysis it appears that most information systems are seen as supporting activities in business. (Parsons G. L., 1983). By mechanizing operations is determined the corporate profitability increase for better control efficiency and effectiveness. They are simply used to deliver reliable information to the management, sufficient to keep the business running without any problems, but also used to analyze and plan new directions. Strategic information systems become integrant and necessary part of the activity, affecting profitability, as well as the development of a company. They open up new markets and new business. They directly affect the competitive position of the organization, thus giving it an advantage over competitors.

Almost any data processing system can be referred to as "strategic" if information technique strategies are aligned with the business strategies of the entity, there is a close cooperation in its development, between the information services of business people and operational managers. There should be an explicit connexion between the business plan of the organization and systems plan, allowing better supporting of the company's goals and objectives, but also of the control in the management of the information systems.

Numerous entities that made business in information systems starting from 1950 have used the term "strategic planning" for a long time for any evolution of information technique directly affecting the conduct of the activities. Annual planning and budgets are not taken into account. Definitely the annual planning and budgets are part of the strategic plan of any information system that shall be utilized for the management of operations in order to conduct increasingly beneficial affairs.

The service of information about assets and possibilities in the line of affairs is the strategic system where information systems shall impact on operations and products. The strategic systems' planning is described by the effort required that has an impact on the competitive environment and an entity's strategy at the time that the leadership wants to move the idea of business.

Financial information systems are helping leaders to manage the liquid assets of the entity, such as cash or securities, to be able to raise yields to the lowest degree of risk or loss. Several entities have put into practice automation systems to manage the portfolio of securities generating in an automatic mode the purchase or sale in a certain arrangement.

### **2.2. The connection between the financial management and financial control**

The characteristic of a quality system from an organizational system at the level of financial control and management represents some reasonable legislative framework and financial reporting established depending on the budgetary funds put into or used. The process of business such as budget's or financial plan's reporting, planning and execution

in procurement, was closely linked with the accounting reporting and also with the drawing up of an act of responsibility for tax purposes.

While management sets out the objectives of the entity, the financial control is obliged to implement a strategy in order to remove the shortcomings and flaws being attached to the notification of the fiscal obligations, in compliance with the Regulation on the preparation and delivery of fiscal declarations.

Fiscal and budget people in charge represent users who shall report to the Finance Ministry and which are responsible with the development level of financial management and control in components of planning, budgeting, execution of financial plan, procurement, accounting and reporting.

Activities listed in the organization procedures should concentrate on developing activities of control, of the registration and reporting systems in order to assure legal uses, dedicated to cover all the gaps in the funds stated.

Strategy of control and management over the past ten years, the Balanced Scorecard (BSC) (Kaplan R.S. and Norton D.P., 1996), became one of the efficient management tools for the implementation and monitoring of the execution of the strategy, as it helps to align strategy with expected performance and highlights the importance of establishing financial objectives for employees, functional areas and business units. Balanced Scorecard ensures that strategy is translated into objectives operational actions, financial goals and focuses on four main dimensions: financial factors of learning and growth, customer satisfaction and internal business processes.

The financial system has been for a long time the evaluation standard of a company's performance. Balanced Scorecard aids the role assigned to finances in order to determine and monitor precise objectives that shall be measured strategically and financially on the basis of coordinates, this way ensuring the company efficient and effective operation. The values and financial objectives of any economic entity shall be determined on the basis of benchmarking by being the best way of assessing the performance indicators of an entity.

## **Conclusion**

The mechanisation of operations specific to the economic act determines the increase of corporate productivity and profitability in order to increase performance and competitiveness on the market. Furthermore, the information provided by the online environment confers dynamism, adaptability and flexibility to the management team as sufficient prerequisites to maintain business to a level of growth, on the one hand, and to identify new directions for action in line with the dynamics of business and society, on the other hand.

Strategic information systems are becoming an integral part of any business, connecting businesses in the online environment, virtual, creates prerequisites for comparison, analysis of profitability system in relation to economic factors involved, with their ability to generate added value in time, to lie on upward slopes of growth and development.

The computerization of the financial system implies a consideration of accounting, financial, budget operations, in order to establish a strategy based on the optimization of such data and information to configure a mode of action on a determined time horizon. What is evident over time is the connection between the performance of a business and the online environment, requiring a strong anchor of management methods, including the

control, to the dynamism of knowledge-based society and the globalization of financial flows which confers a strong adaptability to changes, with repercussions on the competitiveness of businesses. Currently businesses are open, complementary, convex, sustainable and effectiveness is a stack of endogenous and exogenous variables that involves minimizing resource consumption, workforce adaptability to changes, a strong visibility and transparency of the business system, as a component of the computer system.

Another aspect analysed in the context of the paper is the need for better communication between employees, stakeholders, an effective way to manage the financial aspects such as working capital, debts and investments, vital to the success of a company. Communication, facilitated by the ICT instruments, tries to understand and improve the processes of financial control. Research show that a financial control that is not compatible with the capital plans of the company does not carry out an analysis of the efficient financial statements, in order to understand the meaning behind the numbers.

At the same time, it is important that control activity not to confine to small components, such as the management of claims, but to create mechanisms through which to identify investment priorities, risk exposure. Financial control systems should not target only the aspects of compliance, but also improving continuously the key aspects of financial operations, such as:

- revision and improvement of the general structure of the share capital. With the help of a capital plan it will be able to minimize the cost of capital and strengthen the position of debt/equity;
- working capital management, which will efficiently manage financial resources in the form of excessive stocks, and loans;
- making own calculations/projections to ensure scenarios regarding financial resources exploitation on medium and long term, which will predict current and future performance. At the same time, the management of costs will result in a certain degree of independence of the company in relation to ensuring the cash-flow for the current cash payments generated by commercial transactions.

### **Bibliography**

- Niculescu O., Nicolescu L., Managementul modern al organizației [Modern management of the organization], Editura Tribuna Economică [Economic Tribune Publishing House], Bucharest, 2001;
- Stanciu V., Proiectarea sistemelor informatice de gestiune [Designing management information systems], Editura Cison [Cison Publishing House], Bucharest 2000, p. 7;
- Popa Ș., Ionescu C., Audit în medii informatizate [Audit in computerized environments], Editura Expert [Expert Publishing House], Bucharest, 2005, p. 21;
- Parsons G. L., (Fall 1983), "Information Technology: A New Competitive Weapon", Sloan Management Review 25 (1): 3–14;
- Official Gazette 78/11, [http://narodne-novine.nn.hr/clanci/sluzbeni/2011\\_07\\_78\\_1648.html](http://narodne-novine.nn.hr/clanci/sluzbeni/2011_07_78_1648.html);
- Kaplan R.S. and Norton D.P., "Using the Balanced Scorecard as a Strategic Management System," (hyperlink no longer accessible). Harvard Business Review, 74, no. 1 (1996);

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.