

THE ACCOUNTING DATA'S CHARACTERISTICS IN TERMS OF DECISION MAKING

Aliona LÎȘÎI, conf.univ., dr.,
Universitatea de Stat din Moldova
Orcid ID: 0000-0001-9719-0012
Georgeta MELNIC, dr.,conf.univ.,
Academia de Studii Economice din Moldova
Orcid ID: 0000-0003-3876-5394

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Abstract

The analysis of the significance of collecting accounting data of appropriate quality and usefulness can be derived into two main parts which are the following:

Foremost, we will analyze the specifications of the accounting data that are required for it to fulfill the requirements set by the various actors.

Additionally, we will evaluate how each factor and characteristic affects the accounting data obtained following the collection and production process.

Keywords: *accounting data, financial and economic factors, decision, quality, users, conceptual framework, entity, knowledge*

Introduction. The main source of information used by managers in leading their teams in a project is economic information. The perpetual improvement of the quality of financial-economic information is demanded by the evolution of the current society, thereby it needs to fulfill both the requirements of an entity's management to aid in the decision-making process and the informational necessities of the entity's partners.

Research methods used: Given completing the set goal, in this work, a series of methods were applied, some of them being: logical, systemic, historical, and comparative methods.

Economic information is a „communication, an announcement or a message that consists of new elements of knowledge of a status, situation or condition of manifestation of specific phenomena or past, current or future economic processes” [Moroșan I., 2000, p.6].

This form of information describes both the patrimonial situation of the economic entity, the results of its economic-financial activity, and the efficient use of the human and material resources of the entity, intelligence used to inform both the members of the entity, and external users such as shareholders, clients, banks, other financial institutions, other individuals and organizations.

According to the author of the textbook on „The economic and financial analysis of industrial companies”, data, generally, is a particular case of display of two material processes as a form of interconnection between both these processes, therefore, one's properties (the issuing process) are replicated in the other one (receiving process) [Căinap I., Bătrâncea I., 1993, p. 133].

Thus, information consists of a particular set of data processed into a useful form for its recipient and possesses a true value in planning, analysis and decision making.

The economical information specific to economic activities, according to Baciu A.'s point of view, can be defined as communication, statement or message, that contains new elements of knowledge describing certain statuses, situations, conditions of manifestation for particular phenomenons or economic processes [Baciu A., 1993, p.2].

The route traversed by data from collection to its valorization will pass through multiple stages: collection – processing – transmission-reception – application, and the entirety of methods, techniques and tools used to collect, to record, to submit, to circulate, to process and to valorize the system’s data which represents the informational system [Oprean D., Racovițan D.M., Oprean V., 1994, p. 49].

According to Minu M.’s assumption, informational activities can be described as a set of actions that concern the production and the usage of information [Minu M., 2002, p.2].

It is crucial to mention that the meaning of the term „information” can be defined in comparison to two other terms: data and knowledge. Data represents a sign, a symbol, an immediate result of fact inspecting, that is, a raw material, which, by being processed, can be transformed into information, to meet the needs of users, in a context that pertains to them.

As C. Greines emphasized, we shouldn’t lose sight of the following concepts:

- Information is a constructed object, „information doesn’t rise in nature. It is an artifact, a symbol deliberately created by social actors”;
- Information carves the representations and induces behaviors based on complex mechanics;
- Next to formal knowledge, tacit knowledge, left unexplained, plays a major part in it [Greiner C., p. 1120].

A crucial shackle of the economic informational system (it’s core) is accounting, which, currently, is an independent scientific subject matter within the scientific economic system.

Accounting data is a significant part of the information in the economic environment, which is why Oscar Morgenstern says that „ accounting represents the most valuable source of information for a nation” [Maleca I., 2010, p.104].

Accounting provides both the internal and external interested users with information regarding transactions and events concerning the economic unit. The accuracy of decisions taken by users depends, to a large extent, on the quality of the accounting data it is based on.

The quality of information can be defined by several attributes such as:

- Speed – determines the time needed for information to travel from the issuer to the receiver;
- Frequency – represents the number of pieces of information of the same type in a unit of time, determining the rhythmicity of information;
- Accessibility – depends on the means of communication, degree of training of the staff, the stock constitution mode etc.;
- Actuality – represents the ability of information in showcasing recent events;
- Intelligibility – implies that the properties of information can be perceived by users;
- Reliability – represents the ability of information to ensure a real and sure image of an event/ an object;
- Relevance – implies the quality of the information in giving answers in a given situation;
- Age – is expressed by the time passed from the moment of the start of information collection to the moment of transposition into the action of the decisions taken based on them [Negescu M., 2004, p.147]

Thus, the evolution of all the economic entities itself depends on the quality of the accounting data. The informational financial accounting system of economic entities uses multiple pieces of information from outside. Although the main source of information originates from the inner circle of entities, it is the place where the phenomena are manifested and the analysis is needed. The accounting data represents „particular economic information, arising from processing using methods, procedures and tools respective to the accounting data. It is factual, precise, complete, operative, which represents the dashboard, the carrier of

economic, financial and managerial decisions which are taken by the managers of the patrimonial unit” [Moroşan I., 2000, p.6].

Thus, within the circuit of economic data, the accounting data conveys the reflection, verification and inspection knowledge concerning the patrimonial situation and the results obtained by the economic entities.

A performing informational financial accounting system includes a software-based subsystem that governs and provides the managers of the economic entity with the following:

- information of the economic type concerning the production of goods, executed works and services provided, the level of profitability recorded and the forecasts for the following reporting periods.
- information of the legal and financial type concerning the events and financial-economic transactions originating from relations with third parties, thus the value of due or receivable sums being accessible at all times.

For the managers of the economic entity, the informational financial accounting system constitutes the basic tool of tracking the accomplishment of drawn goals, followed by the maximization of profit and the thorough satisfaction of the clients.

The informational financial accounting system provides, typically, data that can be grouped, in two separate categories:

- ✓ confidential information, which represents commercial secrets, specific to managerial accounting, being available only to internal users.
- ✓ transparent information corresponding to financial accounting, is available to all users, including external ones.

In various bibliographical sources, diverse groups of accounting data are showcased, which can be generalized in the following classification:

- ✓ 1. Information from outside the entity (the legislation, the evolution of the economy etc.).
- ✓ 2. Economic information from outside sources (which originates from the financial accounting system of the economic entity)

According to various researchers, the notion of quality of the information in the process of communication contains three levels:

1. The representation of reality and quality. On this level, the quality of information is assessed depending on the reality that is showcased, the information is supposed to help the receiver create a reality which he cannot visualize all by himself. This representation of reality communicated to the receiver, starting from the data obtained by the issuer, is subject to: the intentions and goals followed during communication; the receiver who the issuer is addressing; the context in which evolves the issuer; the means available in the codification and the symbolic representation of reality.
2. The sense formation and the quality. The communicated message acquires a meaning when it is symbolically represented as reality, using a code, which is represented by the accounting language (concepts, principles, rules and accounting methods). The reproduction of reality using the accounting language is ensured by the flow of information which takes place through a transmission channel. On this level, the constraints which press on the communication and which affect the quality of the transmitted information are decided by: - codification, otherwise said, the content of the message which should be used constantly, and – the noises which represent physical interferences and human transformations which occurred on the way and which alter the message.

3. The transmission of information and its quality. On this level of communication, the moment in which the receiver receives the information to make decisions is represented [Maleca I., 2010, p.105].

Currently, the deployment of the entity’s economic activity requires that its information financial accounting system is adaptable to potential unforeseen situations which would result from the evolution of competition on the market, which stipulates the use of certain new informational and communication technologies, the goal being the growth of products’, works’ and services’ quality.

The definition of the concept of quality and of the qualitative characteristics which concern the accounting data is represented explicitly using official documents:

1. The American normalization body (FASB), the Financial Accounting Standards Board, issued, in 1980, using the SFAC 2 (Qualitative Characteristics of Accounting Information) norm, relevant elements concerning this issue.
2. The International Accounting Standards Board (IASB) included, in 1989, in its conceptual framework, the qualitative characteristics of the financial documents and the restrictions to be complied with to obtain high-quality information.
3. The British body of normalization in the field, the Accounting Standards Board (ASB), published, in 1991, the specifications of the financial information through the paper called Statement of Principles; The Qualitative Characteristics of financial information [Maleca I., 2010, p.106].

Both in the conceptual framework proposed by the FASB, and the one enforced by the IASB, four qualitative characteristics of the accounting data stand out:

Relevance	the ability of data to influence the decisions of users and to allow the evaluation of past, current and future elements, either confirming them or correcting the past evaluations.
The reliability	implies the absence of errors or elements that could lead to erroneous interpretations, allowing, thus, a reliable representation of reality.
The intelligibility	represents an information’s quality which should be easily comprehended by users, on the condition that they possess sufficient knowledge concerning transactions, economic activities and accounting.
The comparability	is the quality of information concerning its valorization, both in space and time.

Figure 1. Qualitative characteristics of the accounting data [Maleca I., 2010, p.106].

According to the British ASB, unlike FASB and IASB’s terms, only the accounting data’s quality has a relative significance and contains relevance and reliability as main aspects, in addition, in the secondary category, only the comparability and intelligibility are included.

English researchers further three restrictions: the balance between qualities, the opportunity and the cost-profit ratio, although the American experts think that the benefits obtained by using the accounting data should be higher than its cost of production and cost of analysis.

Analyzing the national normative acts in place in the accounting field, we could point out the qualitative characteristics of the accounting data.

Thus, according to The Law of Accounting and Financial Reporting, the information from the accounting reports should correspond to the fundamental and amplifying qualitative characteristics.

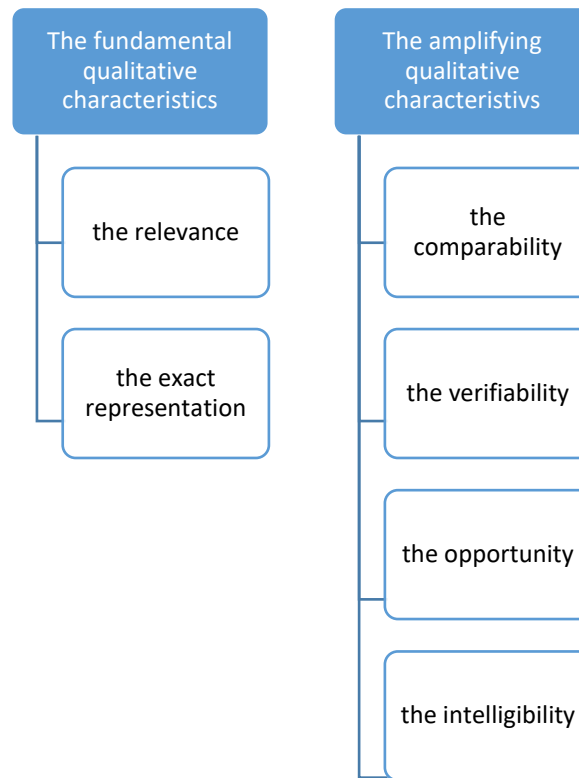


Figure 2. The fundamental and amplifying qualitative characteristics [The Law of Accounting and Financial reporting, art.20].

The fundamental qualitative characteristics are:

- a) the relevance – implies that the information should be valuable to users and should allow them to evaluate past, current and future events, to confirm or correct their previous evaluations;
- b) the exact representation – implies that the information submitted in the financial statements should be complete, impartial and without faults.

The amplifying qualitative characteristics are:

- a) the comparability – presumes that the financial statements contain comparative information, related to the previous reporting period, for all the accounting elements reported about the current reporting period, only if the accounting norms don't say otherwise;
- b) the verifiability – consists in ensuring to users the possibility to directly or indirectly verify the information from the financial statements;
- c) the opportunity – presumes that the information is available to the users promptly to influence their decisions;
- d) intelligibility – implies that the information should be classified, characterized and presented clearly and concisely. [The Law of Accounting and Financial reporting, art.20].

According to the norms of the S.N.C. (Standardul Național de Contabilitate – National Standard of Accounting), „The showcase of the financial statements”, the information from the financial statements should correspond to the following qualitative aspects:

- 1) the intelligibility - the information should be classified, characterized and presented clearly and concisely;
- 2) the relevance – the information should be valuable to users and should allow them to evaluate past, current and future events, to confirm or correct their previous evaluations;

- 3) the credibility – the information should be complete, neutral and without significant errors;
- 4) the comparability – the financial statements should contain comparative information, related to the previous reporting period, for all the accounting elements reported about the current reporting period, only if the accounting norms don't say otherwise.

And, for the information from the financial statements to correspond to the qualitative characteristics laid down by the pt. 11 of the S.N.C. „The showcase of the financial statements”, it is necessary to:

1. decide on a balance between the different qualitative characteristics of the accounting data;
2. possess information that is appropriate to the decision-making process of its users;
3. the profit originating from the utilization of said information should surpass the cost of obtaining it. [S.N.C. (Standardul Național de Contabilitate – National Standard of Accounting), „The showcase of the financial statements”, pt.11].

During the process of international harmonization of the accounting system, the quality of the accounting data is also improved, thus because of the myriad of economic accounting information, the economic agents can improve their competitive edge, from an informational standpoint, compared to the competition on the national and international markets.

Conclusion

The effectiveness of decisions necessary to the furthering of economic activity made by the management of economic entities affect directly their competition, thus the adoption of some decisions that would increase the competitiveness of the economic units can be completed based on qualitative financial accounting data.

The use of certain qualitative financial accounting data serves as a way of exercising an influence on the decisional process to satisfy the clients, without neglecting the main goal of every economic activity which is making a profit.

The quality of the financial accounting data is defined by complying with certain qualitative characteristics, such as: the relevance, the comparability, the reliability and the intelligibility of the information.

The quality of accounting data was what propelled the progress made, so that all the new knowledge is strengthening the skeleton of the existing knowledge, certifying every time its quality.

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