The Financial and Accounting Information: a Genuine Power Factor, in the Report Win - Loss of the Investment on the Capital Market

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Abstract

The accounting information can be assimilated and analyzed based on three aspects: semantic, syntactic and pragmatic. The semantic aspect of the information refers to its importance for the receiving element. The syntactic side highlights how the signs that compose the information remove an element of uncertainty, of determination of the phenomenon and the practical usefulness of the information for the user synthesizes the pragmatic aspect. Therefore, the economic information is customized by the fact that it expresses explanations on economic resources, production, distribution, exchange and consumption of results, being formulated based on a set of indicators that together form the "repertoire data" essential for an effective economic coordination process.

Key words: shareholders, annual financial statements, government agencies
J.E.L. classification: G3; G32; G34

1. Introduction

The perception of information in specialized literature is that the information represents "a generic element of knowledge and reality representation process, as well as that of design and communication, inherent to human action on the society scale - generally - and the organizations - particularly " (Badea, 2010, p.77).

The parameters of information efficiency are determined by *the degree of subjectivity* - *objectivity*, by its significance for the user, by the temporary duration taken as reference, but also by the qualitative and quantitative aspects, in this respect the most expressive example being the notion of "accounting information" (Grossman, 1975, p. 214). The information is associated with *the utility value*, representing the possibility to save, this being calculated based on the difference observed between the effects of a decision promoted through and without the *cognition* component. The utility value is directly influenced by the physical and moral depreciation, becoming precedent. The information is exposed to a high degree of degradation, which is automatically included by the production and dissemination actions, resulting from the diversified and versatile interfacing with the amount of information in a certain environment.

Based on the stated general principles, regarding the functioning of the economic systems, as well as the purpose of the financial information in establishing informational links, it can be concluded that, while the information content is conditioned by the leaded system, their form is given by the management system. If in the process of obtaining the information, their form may change depending on the means and methods used, the content remains the same, independent of the structure of the system leaded and the leader (Badea, 2010, p.117).

2. Demand and supply of accounting information - users and informational needs

The most frequent and the most representative relationship typology in the existence of an economic entity is the one between owners and managers. This must be set alongside and understood in the context of governance methods of the company taken into discussion. If the relationship between managers and owners is a relationship that prevails in the governance of the company, it can be stated the fact that, at international level, the accounting should meet the needs of a wide variety of users, its offers having an increasingly more social character.

The internal users are the managers, they are resorting to accounting information reflecting the exploitation, investment, finance and treasury management operations for foundation and decision-making. In this regard, they use both the information listed by the current accounting, as well as the quarterly or annual financial statements. In the context of the internationalization of the Romanian accounting, the internal users are responsible for accounting choices regarding the definition of the best accounting policies in order to reflect economic reality. Appointed by the owners to manage the wealth and the activity of an economic entity, the managers use the data provided by the financial accounting, and correlate it to the related information from management accounting (Grossman, 1975, p. 118).

The external users are the financiers of the economic entity, its trading partners, social partners, public authority as well as other external users.

The financiers are the users that, potential or actual, provide the necessary resources to the economic entity for the good development of its activities. Distinguished based on the financing modality we may encounter:

- stock financiers, if the companies are quoted on the financial market;
- banking financiers, if the companies procure their external resources by resorting to bank loans;
- the public authority, as investor in the autonomous administrations and the enterprises of national interest;
- other categories of fianciers (financing by signing and developing contracts of location-financing, called finance leases).

It is equally important to remember that an economic entity with secured financial strength achieves a political balance between the recourse to financing external sources and the generation of its own sources (self-financing through the depreciation of various components of fixed asset and by assigning a representative quota from the profit for provisioning). Therefore, financiers are represented by investors, creditors (especially banking), the state and government agencies, residents, etc. As provided in the international accounting rules, the internal users of information, defined in the processes and financing operations, are the investors and the creditors.

a. The necessity of substantiating the decisions by the managers

In the case of some narrower economic entities, the manager coincides in most cases with the owner. In the other typologies, however, the shareholders being numerous, they can not get directly involved in the daily activity, so they delegate the leadership authority to a group of managers. The informational needs of the managers are covered primarily through reports that are not published for other categories of users. These reports are prepared, as a rule, both based on the information from the management accounting and based on the information from the financial accounting. Their nature varies from one enterprise to another, depending on the type of activity (Grossman, 1975, p. 88).

The more complex and diversified the company's business is, the more managers need additional information. Furthermore, the larger the company is, the more further away from everyday activities the manager is, which requires him to request additional information, based on which he can effectively control the work of his employees.

Also, the specific activity of the entity influences the informational needs of managers. The managers have immediate and complete access to the accounting information. They do not have to wait and they are not limited to the information disclosed in the financial statements. Although they benefit from asymmetric information in report to the other categories of users, the managers grant however, special attention to the way in which those disclosures are being perceived. Such an interest is due to the fact that the published financial statements inform third parties on the managerial capability of the leadership team. In other words, the managers use the information in the financial statements to communicate.

b. The globalization of the financial markets and the emerging needs of investors

In most cases, the investors (shareholders) want to measure the profitability and the risk of their investments, based on these deciding whether they maintain, increase or reduce contributions. Therefore, investors are interested in the company's ability to achieve future earnings. The notion of ability to achieve future earnings refers to the extent to which the company will adopt a strategy that aims to increase its wealth, obtaining new funds and will be able to convert, subsequently, the benefits in available funds. The investors usually reason based on cash flows, which have a tangible representation, and less depending on the net profit which, depending on the accounting conventions does not always reflect, the actual economic wealth of the company. Their reasoning takes into account also the fact that companies use some of the profit to finance themselves. Although the shareholders seem to be the first victims of self-financing, in fact, by self financing increases the net asset and the theoretical value of the share, which may lead to an increase in the stock exchange or a free distribution of shares. In these circumstances, the shareholder gets back in capital, what he lost, in the form of dividends. Moreover, while distributed profits are subject, in most countries, to numerous cascading tax charges, decreasing the actual amount that gets to the shareholders, the pluses in stock value are taxed to a limited extent (Marianciuc, 2007, p.58).

However, the shareholders want information on the dividend because this is not just a simple cash transfer. This and its long-term growth rate circulate a rich information flow about the prospects of the company. The increase in number of "ethical" investors willing to invest in companies that respect the environment, has led to an increased demand for information regarding the company's environmental management. Thus, the investors ask for information on the costs of environmental management (legal expenses, expenses for decontamination of certain areas, expenditures for pollution control, pollution abatement, equipment investments, etc.), enabling them to calculate the debt involved in administrating it and to decide whether to purchase, sale or keep their shares.

Regarding potential investors, they want to be able to calculate the profitability rate they are entitled to claim from the company, in order to invest their funds, taking into account the risk attributed to their investment and the opportunities on the market. In order to meet the demand of measuring the amount deserved by the investors, the specialty literature recommends using the stock market capitalization. The practice has reacted quickly to this proposal, numerous financial analysis cabinets making a classification of the companies, depending on the amount of wealth created for shareholders.

The method most commonly used is the one called "market value added", which requires the restatement of certain balance sheet items, the calculation of the total value of the equity reported by the shareholders and their comparison with the exchange value of the company. A favorable difference is interpreted as an increase in the invested funds, while an unfavorable difference represents a loss of wealth.

3. The financial and accounting information as an instrument of power in the globalization era

The general dictum of specialists in management, journalism, politics and economics has become in recent years the concept of globalization, this being studied by economists and sociologists worldwide. In this context, the globalization designates a wide range of economic, ideological, technological and cultural changes and interdependences (Grossman,1975, p.102). The economic changes are mainly referring to the internationalization of production, the rapid growth of capital mobility, the development of transnational corporations, as well as the deepening and intensification of global economic interdependencies. The economic representations of globalization include the spatial organization of production, the development of financial markets, the distribution of fungible consumer goods in various countries and massive population movements.

Regarding the forms of manifestation of globalization, certain areas, such as the financial market, for example, are much more amendable to globalization than others. In fact, the movement of certain symbols - like money - electronically, is much simpler than the circulation of a quantity of products. In the acceptance of the majority of the specialists in this field, the financial market has four major components: capital market, money market, insurance and mortgage markets. In a functioning and competitive market economy the capital market role is crucial. The proper functioning of the capital market is particularly important in the developing economies, in order to achieve an effective transfer of financial resources from the ones that save to those who need capital and manage to offer a higher value.

The capital market can significantly influence the quality of the investment decisions. Collecting the capital temporary available in the economy, reallocating the insufficient one and even favoring a certain sectoral reorganization inefficiently capitalized at some point, are likely to shape the place currently occupied by the stock market in the economies of many countries, and not only the most developed ones.

The financial globalization is characterized by the emergence of capital markets without borders, operating at the level of the entire planet due to the instantaneous movement of information, by eliminating exchange controls and by the homogenization of the financial instruments offered to the ones that have savings. In these circumstances, multinational, transnational, transregional or interregional, industrial and financial enterprises can borrow or place money without limitations, where and when they want, using all the existing financial instruments (Marianciuc, 2007, p.101).

The globalization of the capital markets has resulted in the need for a homogeneous information, increasingly more obvious, the understanding and comparison of the financial and accounting information of different corporations. In these circumstances, it is highlighted the intensification of the accounts intake on the international capital markets, mainly by informing the participants on the exchange.

4. The correlation of the financial - accounting reports quality with the level of economic efficiency of investments in the capital market

The investors want to transform their cash and cash equivalents in investments and the investments in liquidities in a stable environment. SSIFs want to achieve those investments for their clients that do not involve a major loss in terms of investment value.

On the capital market, and inside the SIFs, the performance is linked to the quality of the financial accounting information, to its accuracy, to the true image of the reality of a transaction or transactions of securities.

The audit procedures of the financial accounting information target two directions: the usefulness of the financial accounting information in the investment decision on the capital market and respectively the effect of the financial - accounting information in the investment decision on the capital market. Also, the capital market performance is directly related to the quality of the decisions undertaken, based on the financial accounting information.

So, researching by audit in the field of the capital markets is current and may be considered necessary where the attention is focused mainly on the investors and the decisions taken by them. The decision of the investors involves the correlation between the current consumption and future benefits, from where emerges the need for appropriate and relevant information.

The current and potential investors continuously analyze the available alternatives, hoping to make those decisions that best meet their current and future interests (Megan, 2009, p.64). The numerous information concerning future cash flows attached to different securities, are presented in the cash flow dashboards, while the accounting synthesis documents provide relevant information on the risk associated with an investment, determined by the degree of flexibility in resource allocation. The role of the financial auditors may be determined in the recommendations of selling - buying - storage of securities and in estimating future revenues (as a basis for determining the price of the securities).

As a result, the auditor that has assessed in this way the financial and accounting information and the investment decision by means of financial analysis used as audit method, can motivate the use in the SIFs audit, respectively the performance audit in the financial investment decision and even to create a debate group in the audit (Megan, 2009, p.82). This group represented by capital market specialists, accounting experts and financial analysts, will express, based on the audit, their point of view, by collecting qualitative audit evidence and by applying auditing standards so that the information provided to be useful and indispensable to all the investors.

5. The financial analysis - diagnostic procedure in taking the investment decision

The company's financial objectives and goals can be approached from different points of view. A first approach aims to maximize profits by streamlining the financial decisions, reflected in the wealth increase of the company with a positive impact on the shareholder value of the shares and the shareholders' wealth.

From another perspective, the managerial one, these objectives and targets mainly concern achieving economic growth, financial stability and financial liquidity. The analysis as scientific system in its own right, using the information provided by accounting synthesis documents and relying on its own methodology, connects and interprets all this information in order to reach the economic and financial objectives that are targeted by the company (Spătăcean, 2010, p. 105).

The valences of the Romanian accounting system offer the possibility of financial analysis, which represent the activity of diagnosis of the state of financial performance of the company. It can be considered a management tool designed to help maintain and develop the company in an increasingly competitive environment as well as in understanding the past and present, in order to develop future strategic objectives.

The information on the performance of an enterprise, including its profitability, is necessary for a proper assessment and evaluation of possible changes in the economic resources that the company could control in the future (Spătăcean, 2010, p. 111). Of particular importance in the foreseeable future is the performance variation, being determined for this purpose the aspects related to the generation of cash flows based on existing resources. Regarding the orientation of the entity to new financial resources, the performance analysis will need to provide conclusions on the impact that would have the use of additional resources.

To the same extent, the financial analysis aims to highlight ways of achieving medium and long term financial balance, and the stages of monetary accumulation, of profitability of the activity of the economic entity.

In the case of the financial - economic situation analysis, a special role has the establishment of means to maintain financial independence and achieve flexibility in this area. The purpose of the financial analysis is represented by the drawing of the financial diagnosis of the company in order to highlight the strengths and weaknesses, namely the health or financial weakness status of the company, as well as the financial management potential. At the same time, the diagnosis analysis represents a component of the overall evaluation of the company, known as strategic analysis. The static analysis of the financial balance, based on the annual financial statements, is a traditionl component of the financial analysis (Megan, 2009, p.102).

Regardless of the objectives that an economic entity lays down, their fulfillment is subject to compliance with major financial constraints, such as achieving financial balance, which generally expresses the ability of the company to align the resources and their related uses, ensuring permanent solvency and increased profitability, namely the company's ability to obtain a monetary surplus, which would allow fulfilling their commitments and ensuring its development.

Grossman builds a model of profitability on the capital market, making a separation of the investors, according to the information they have access to, in informed and uninformed investors. Thus, the yield is assumed to follow a pattern such as $\varepsilon\eta + = r$, where η is a random variable that can be observed at a certain cost, while ε is the unobservable component. In addition, the two variables are independent and normally distributed. The observable component η has, as well as the price, a probability distribution, and the price of an asset and the observable component of profitability do not offer the same information on the return. Knowing the value of the price, uninformed investors can only estimate, more or less accurately, the value of η component, as opposed to the informed investors, that have access to this for additional charges. Therefore, the information is not transmitted equally to the two categories of investors, so the strong form of efficient market hypothesis, according to which the price is adjusted to new information, is not plausible (Grossman, 1975, p.153).

6. Conclusions

In an attempt to reflect the way in which investors assimilate financial information, companies have tried - due to the pressure of the economic environment and the need to provide a more accurate information, to fill in the gaps by improving the presentation of the annual financial statements, which led to the use of the financial and accounting information for forecasting the profitability of the companies, this aspect having a significant impact on investors, who analyze the accounting information as soon as they receive it. Starting from here, it has been extended the best known research activity that links the change in the price of the securities and the accounting information, leading to the development of some predictive theory sets, which caused a real revolution in the financial accounting theories. But the relativity of the predictive theories is difficult to be measured because its value depends on the ratio between correct and erroneous forecasts, leading to the elimination of some imperfect theories or theories whose validity could not be demonstrated in time.

The accounting theorists have long recognized that the accounting information system is an integral part of the control system of an organization and that the accounting information provides critical decisions which influence and facilitate the formulation of useful information to achieve control. Financial accounting information is for external users, such as investors, employees, creditors, government or the general public and it is appointed by the summary financial statements or, shortly, the financial statements. Yearly, the administrators of the companies must draw up a set of financial statements in a standardized form, composed of: balance sheet, income statement, statement of changes in equity, cash flow statement, accounting policies and explanatory notes thereto.

For the consumers to benefit from a financial accounting diagnosis as eloquent as possible, the relevance and credibility of the financial accounting reports must be brought to the greatest possible degree of fidelity without containing elements of subjectivity and creativity in order to provide an objective picture, comprehensive and neutral, to reflect the substance of the economic events produced.

Equally, the management accounting information is for internal users, respectively for the managing economic entity. This information is non-standard, frequently non-monetary, and includes information on the unitary cost of the goods, cost behaviour relative to the volume of activity or product profitability. The reports are submitted to management at short intervals - monthly, weekly or daily - and are circumscribed to some subdivisions of the economic entity, named responsibility or profit centers.

7. References

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