

The Importance of Accounting Information for Stakeholders

Aurelia Maria Popescu

University of Craiova, Faculty of Economics and Business Administration, Romania
aureliamariapopescu@yahoo.com

Abstract

Accounting is the main source of information needed by stakeholders to substantiate decisions. The purpose of this paper is to present the importance of accounting information for all users. In the paper, I researched both the role of information for economic entities and the importance of qualitative characteristics of information for stakeholders. Accounting information is omnipresent in the fields of activity of economic entities, contributing to their modernization and development. Accounting information, one of the most important products offered by accounting, must enable all types of investors, current and potential, to identify, measure and evaluate all the operations and activities of an enterprise in order to determine its efficiency. When properly prepared accounting information allows managers to make appropriate investment decisions and determines current and potential investors to support the entity in its economic endeavor.

Key words: accounting information, stakeholders, accounting, entity, qualitative characteristics

J.E.L. classification: M40, M41

1. Introduction

Globalization and the increasing globalization of capital markets require the use of a single accounting language worldwide. In order to contribute to the stimulation and economic development of each country, the global economic system must be provided with reliable and transparent accounting information.

Accounting information is, without a doubt, in the conditions of economic globalization that characterize the current world economy, one of the main sources of information in any decision-making process.

Accounting activity has a remarkable contribution through its content, which harmoniously combines the abstract theory with the reality of the studied phenomena. It provides a correlated and verified information system, leaving no room for subjectivism and promoting stringency and accuracy in reflecting economic and financial phenomena.

Currently, the future of a company is relying on the realization and possession of one of the greatest resources, namely information.

Today, financial-accounting information has evolved due to the development of the market economy, multipurpose economic transactions, as well as the modernization of the activities of economic entities. Thus, the financial-accounting information describes the situation of assets and liabilities, the results obtained, as well as the use of both human and material resources by stakeholders (Miloş, 2012, p. 109).

2. Literature review

“Information is an abstraction, a product of intelligent knowledge, but also a pervasive reality. It dominates and explains the universe, obviously to the extent reached by the process of knowledge” (Horomnea, 2013, p. 128). As an abstract concept, the information must be substantiated on a concrete support for the collection, processing, transmission and storage. The concrete expressions of this abstract information are called data, being made up of numbers, words, colors, symbols,

sounds, etc. The progress of society's information needs was determined by both the progress of social and natural systems, contributing to the "development of the economic information system, its components, operative accounts, accounting and statistics." (Dănescu, 2000, p. 14).

According to Oprea (1999, p. 21) „The economic information system (SIE) is the set of means and procedures used for obtaining, storing and using information in a perimeter of economic activity, as a result of investing in human capital resources. ” The ultimate goal of information is to be used in all decision-making processes of economic entities.

In modern management, the "information is an essential element of decision-making" approach is mandatory. In economic practice, accounting is an essential component of the managerial information system, its core in fact (M.I.S. – Management Information System)" (Belverd et al., 2000).

A company's specific information can be quantitative (monetary quantifiable) and qualitative (subjective or non-monetary). From an accounting perspective, most of the information is quantitative, but accounting reports also contain non-monetary information, forming a whole (Anthony et al., 2010).

Financial accounting is „generating public information contained in synthetic documents (balance sheet, profit and loss account, statements of changes in equity, cash flow statements, explanatory notes to the annual financial statements) intended primarily for external users" (Horomnea, et al. 2017, p. 93), but needed by internal users (managers) as well. The purpose of this accounting is to record all economic operations that affect the entity's equity in order to calculate the financial result. This type of accounting is organized and managed on the basis of uniform rules, which are compulsory for all businesses. (Munteanu et al., 2020, p. 32; Toma, 2018, p. 18; Horomnea, 2013, p. 146). The annual financial statements are „the most representative product of financial accounting and the main means of informing internal and external users" (Toma, 2018, p. 18).

Management Accounting produces „confidential information contained in documents, and analyzes, for company's internal use, especially for the operational management of the company, including the correction on the spot of any deviations from the estimated parameters" (Horomnea, 2013, p. 146). This management information is necessary for managers; it is not standardized, often is non-monetary and „is organized by each company according to the specifics of its activity and its own needs; include information on unit cost of products, profitability per product" (Munteanu et al., 2020, pp. 32-33).

These two types of accounting are joined by accounting for taxation (Anthony et al., 2010) because there are situations when tax requirements differ from accounting regulations.

According to the opinion of the authors Lungu and Caraiani (2018, p.12), the accounting information is divided into three main categories:

- ✚ „information on operations, necessary to run an organization;
- ✚ financial information, necessary for both managers and third parties (investors, banks and creditors, government agencies, the public);
- ✚ managerial information, necessary to fulfill the three functions of an organization: planning, implementation and control”.

3. Research methodology

The research method used is based on analysis, observation and, of course, the interpretation of information obtained from specialized books on accounting information.

4. Findings

4.1. The role of information for economic entities

Economic information represents the information produced and used by all economic entities in their activities. In optimizing managerial processes, information plays an important role because it examines how to use all resources, namely: financial, material and human ones (Horomnea, 2013, p. 131). American economist Hybe finds that of the total information circulating within an economic

unit, about 80% is information of an economic nature, and out of these 47% is information of an accounting nature.

Information plays a major role in economic entities, because it is the basis for both planning and analysis activities, being also a signaling mechanism, and measures the success of all activities. Thus, at the microeconomic level, information is a means of fulfilling legal obligations, communication objectives and all economic decisions.

The importance of information is reflected by their diversity within the entities, each one being analyzed in detail, while having a separate function. Therefore, we consider it necessary to address the different types of economic information, which are classified according to several criteria, presented in Table no. 1.

Table no. 1. Types of economic information

Classification criteria	Information and brief presentation
1. the level at which it circulates	<ul style="list-style-type: none"> ✚ at macroeconomic level - within the national economy or strategic branches; ✚ at microeconomic level - within the entity, the company.
2. mode of expression	<ul style="list-style-type: none"> ✚ oral - transmitted directly, orally; ✚ written - contained in documents, registers; ✚ audiovisuals - transmitted by telephone, fax, film, etc.
3. direction of travel	<ul style="list-style-type: none"> ✚ ascendant - transmitted to higher levels; ✚ descendant - transmitted to lower levels; ✚ horizontal - transferred between departments at the same level.
4. scope	<ul style="list-style-type: none"> ✚ synthetic - reflects general knowledge; ✚ analytical - reflects in detail the entire activity.
5. destinations	<ul style="list-style-type: none"> ✚ internal - used within the company; ✚ external - specific to third parties.
6. contents	<ul style="list-style-type: none"> ✚ planning - refers to future activity; ✚ actual - showing operation of the actual economic phenomena and processes; ✚ control - is done by comparing the planning information with the actual one, detecting deviations.
7. the purpose pursued	<ul style="list-style-type: none"> ✚ for current management - is presented in the form of decisions developed by managers; ✚ for reporting - sent by subordinates to managers, on the activity of the economic entity; ✚ for adjustment - is achieved by comparing the objective parameters with the real one.
8. reflection over time	<ul style="list-style-type: none"> ✚ active - refers to the actual operation of economic activity; ✚ passive - refers to the economic processes and phenomena carried out, ✚ forecast - refers to future economic phenomena and processes.
9. origin	<ul style="list-style-type: none"> ✚ endogenous - procured from internal sources; ✚ exogenous - procured from external sources.

Source: (Adaptation and processing after Horomnea E., 2013, pp. 131-133; Costuleanu C. L., 2012, pp. 30-31.)

When properly prepared accounting information allows managers to make appropriate investment decisions and determines current and potential investors to support the entity in its economic endeavor. In this regard, accounting information must have certain characteristics and meet certain conditions in order to be effective.

4.2. The importance of qualitative characteristics of information for stakeholders

The concept of quality specific to accounting information originates from both the definition and the characteristics of accounting communication process and consist of the determination of „quality

criteria" or „qualitative characteristics" for drawing up a measuring instrument. According to ISO 9000:2015, quality is defined as the totality of the specific characteristics of an entity, material or immaterial that gives it the ability to meet expressed or implied needs.

The status of communication language that belongs to accounting is in a permanent dynamic transformation, trying to establish itself on new, high-performance bases and gaining special values, in the conditions of the explosive development of communications technology. The efficiency of financial communication depends very much on the quality of accounting information.

The evolution of society has led to economic development which, in turn, caused an expansion of the concept of information, imposing an improvement of the economic and financial information. Both globally and in the European Union, specific standards and norms have been developed, which influence the way information is collected from the accounting system. According to specialists, most of the information in the economic environment is conveyed by accounting through accounting information.

The importance of a feature differs from country to country, changing over time.

The quality of accounting information is evaluated according to the objectives of the information, the users' information needs, so that the information provides a complete, clear, fair and accurate description of the economic phenomenon to which it refers. There are two categories of qualitative characteristics of financial information, which we will be presented in Table no. 2.

Table no. 2. *Qualitative characteristics of accounting information*

Qualitative characteristics	Presentation
1. fundamental qualitative characteristics	<ul style="list-style-type: none"> - relevance implies the potential of financial information to influence decision-making, having either predictive or confirmatory value, or both; the confirmatory value provides feedback on previous assessments, while the predictive value makes it possible to use the information in assessing future results. In shaping this concept, a special place belongs to the significance threshold as a value of relevance, with an entity-specific nature, generated by the nature or size of the elements described in the set of financial reports; we acknowledge that the information, disseminated by the reporting entity, is significant if its exclusion or misrepresentation is likely to influence the decisions taken by users. - exact representation refers to the fact that the information must accurately reproduce the object-phenomena of the representation, and in order to fulfill this desideratum, a description must be neutral, complete and free of errors. The full description implies the presentation of additional explanations regarding the significant events in terms of nature, quality and context of the generating elements, while the neutrality in the choice and presentation of information refers to the elimination of manipulation and changes made to obtain a favorable image.
2. amplifying qualitative characteristics	<ul style="list-style-type: none"> - comparability facilitates the process of recognizing and understanding the similarities and differences between elements; we note the premise that a comparison requires at least two elements; comparison should be possible both in space and in time. - consistency helps to achieve this comparability goal and involves the use of the same set of methods for the same categories of items in the succession of financial years or for separate entities within the same period.
	<ul style="list-style-type: none"> - verifiability implies the possibility of reaching a consensus between independent, distinct and knowledgeable observers on the exact representation attribute associated with a specific description. There are two approaches to this concept: direct verifiability (verification is done by direct observation) and indirect verifiability (involves recalculating results by applying the same calculation methodology and verifying input data).
	<ul style="list-style-type: none"> - opportunity involves the availability of information to be used by decision-makers in a timely manner to impact their decisions, so the information must be appropriate to the situation and provided in a favorable manner.

	- comprehensibility refers to the clear and concise presentation of all relevant economic phenomena and events; to fulfill this aspect, the completeness of information must not be sacrificed by omitting the complex phenomena from the presentation, but must be found the way to present completely, clearly and concisely all economic events and phenomena that are likely to influence the decisions of accounting information users.
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Source: own projection

Financial information represents the connection between the communication achieved between the economic entity and those interested, from both internal and external economic environment. Financial information is composed of accounting information based on a balance sheet, a profit and loss account, a cash flow statement and a statement of changes in equity. The final form of financial information is materialized in the financial statements elaborated by the entity.

5. Conclusions

Accounting information is, without a doubt, in the conditions of economic globalization that characterize the current world economy, one of the main sources of information in any decision-making process. From reports on the production obtained to elaboration of the annual financial statements, the motivation is the same: to support various categories of users, from different countries of the world, in substantiating the optimal decisions.

Financial information is a key component of accounting, which is the process of communicating data about an economic entity. The financial information is presented in a structured manner, specific to each entity, which is regulated and accepted by the accounting staff.

Financial information should be processed in order to reflect economic activity, but should also be treated carefully by management to ensure customer security and prevent their misuse. Financial information held by large entities is more complex, often including a comprehensive set of notes and explanations of financial policies.

In conclusion, the accounting information provided by the annual financial statements is the most important tool for communicating the economic and financial situation of an entity.

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