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RESEVIEW ARTICLE

The Impact of the Financial-Accounting Information System in the Context of Globalization

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Abstract

This paper insists on the "concept of quality", with reference to accounting reports, information provided by it and the accounting process through which accounting information is obtained and disseminated. Is emphasized and highlighted the role and importance of accounting reports and information provided by it in the analysis and management decisions. Also the paper aims to find ways and means to streamline and improve the quality of financial and accounting information provided to managers.

Keywords: *Accounting information, Financial-accounting information, Accounting reports, Accounting information systems, Management decisions*

Introduction

In the international and of the integration in the European Union context is more than ever necessary a transparency of financial-accounting information. Investors and others need clear, reliable, accurate and internationally comparable financial and nonfinancial information on which to base their decisions. This is a must for the confidence of investors in the entity and its prospects to be kept. Confidence in the entity and implicit in its management depends on the degree of understanding and perception of financial information, primarily by managers, but also on its openness and transparency. Management of the entities use in their decision making large volumes of accounting data and also it is obliged to broadcast in the exterior (management bears responsibility for the production and dissemination of financial accounting information).Development of correct decisions by the users of accounting information depends on the quality and quantity of accounting information provided by the accounting reports.

Information - Concept, Notion

Decisional activity is based on information that comes from the information system and within it the accounting information has a privileged role.

Categories of Financial- Accounting Information

According to the accounting treaties [1], the accounting information can be classified into four categories:

- Operational information
- Information provided by financial accounting
- Information provided by management accounting,
- Accounting information on satisfying tax needs.

Operational information are needed in the current activity of companies and generally refers to operating activities such as inputs of products, outputs from the inventory stocks, production costs, amounts due to employees, or due payments owed to business partners. This information is useful for managing different departments of the company and is raw material for financial and management accounting.

Information provided by financial accounting are necessary to the business decision makers, but may be of interest to potential external users as well.

Since financial accounting is organized according to legal regulations, the information provided to external users are usually subject to a principle of uniqueness supply information provided by the same set of accounting rules to ensure comparability of data published by two or more companies, possibly competing. Information having as source of origin financial accounting targets the financial position of the firm, performances and changes in the assets. Real, complex and operational accounting information represents the support for economic and financial decisions necessary to managers in the process of managing a company's activity. The organization and management of accounting is a legal obligation of the legal person within the market economy and is a tool for economic and financial knowledge.

Information provided by management accounting mainly addresses makers of decision (managers) as business management cannot be based only on information from financial accounting that complies with a strict legal framework and does not address a number of issues that are not covered by financial accounting. Information in the field of management accounting cover issues such as determining costs on products or responsibility centres, determining profitability margins or measuring analytical results on products. This information is used to perform three functions of management: planning, implementation and control.

Information needs in the Financial Accounting Area

Information is, undoubtedly, the most valuable product of the financial accounting area and, through its primary role in the decision making; it is the factor to whose quality dependents on the market the success of an organization.

EIS type systems - Executive Information System are intended to assist management decision at the highest level. But decisions are not an exclusive attribute of general managers. Decisions based on information provided by the information systems are taken every day in various departments of the company. For example, activities on the honouring of some payments to suppliers or supply with consumables are all decision-making activities but on another level. Depending on the decisional level within decisions are taken they can be divided into

Strategic Decisions

Strategic Decisions are the ones that determine the objectives and policies of the organizations with long-term implications on the company.

Tactical Decisions

Tactical Decisions at the tactical level decisions usually have a control character and aim primarily the development of objectives concerning efficient allocation of resources or of certain sections of the company being circumscribed to the context imposed by the strategic level decisions.

Operational Decisions

Operational Decision sat an operational level the decisions impose the ways in which are applicable the decisions set at a higher levels. These decisions have immediate effect on the functional units of the organization. The problem of designing an information decision support system for financial and accounting activity cannot be reduced to the idea that the only information users are the decision makers as they, in turn, are subject to other information constraints, that of the business owners.From the perspective of the report to the information system of the organization, information potential applicants can be divided into:

Internal Users

Decision makers

They request accounting information related to operating financing, investment or management activities, in order to substantiate decisions.

Employees (unions)

Employees (or unions as a form of their organization) may require accounting information in order to assess the future prospects of the business and their job security, which they considered to be guaranteed by illustrating a solid financial situation of the company in its financial statements.

External Users

In this category can be included the enterprise trading partners, donors, the state (through its institutions) and other social partners. Perhaps the most important category, donors are represented by investors (stock donors or donors such as leasing companies), creditors (mostly bank institutions) but in some cases, even the public power can become a donor by authorized institutions (the case of autonomous administrations or enterprises of national interest).The following figure illustrates the potential information flows that may be requested at a certain time from an organization.

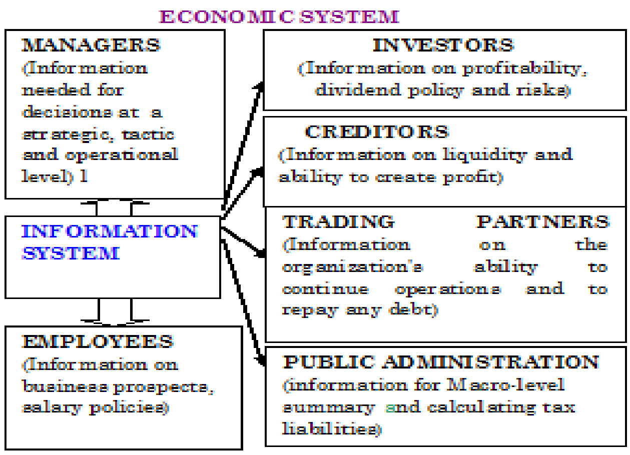

Fig. 1: Information flows in an organization

Source: Processing by author

Returning to the informational needs expressed by decision makers we must point out that if in the case of small businesses they can even be the owners, mostly in large and medium-sized enterprises, managers are only delegates of owners. Nature of the information required by managers may vary from one enterprise to another and obviously by its objectives. Objectives are determined by the performance of managerial functions (of management, planning, of control, decisional).The information needs of managers are satisfied with reports coming mostly from financial or management accounting and sometimes it has a confidential character and is not available to other categories of users.

On the other hand, investors are particularly interested in information on enterprise profitability and potential risk in order to decide maintaining or possibly increasing their contribution to the organization.

The shareholders especially want information on monetary flows that have a physical representation, but also in terms of dividend policy of the company as a means of payment for their contribution. Another important element of the package information requested by investors is the ability and the way of financing itself of the company since this will reduce profits fund to be distributed but increases the value of business assets, which may lead to an increase in exchange rate for securities issued by the company.

Not least, shareholders want, through the information they obtain, to verify the good faith of managers and to ensure the proper management of the capital contribution. In this way investors can request information on direct or indirect remuneration of personnel with management functions or statements on the company's overheads.

Creditors are often more demanding than shareholders regarding the accuracy of information requested. Bank creditors are interested in debtors' ability to create profit to reimburse the loan and interest. How to creditors is very important to preserve capital of the business, they give high importance also to the dividend policy practiced by the organization. Generally banks offering loans require precise information on which can determine the liquidity of potential borrowers. For any credit granted must be made in the context of some potential risks, lenders apply different methods for determining risk (such as scoring).

Trading partners, customers or suppliers seek information about the ability of the company to continue operations and therefore to conduct future trade relations. Like banks, suppliers are interested in the possibility for the company to pay the liabilities arising from contractual obligations.

Employees have a legitimate right to be informed about the company's prospects. It is estimated that union pressure on the supply of information should not be downplayed, it being justified by the fact that through the information requested it can be created a vision of the employees on their job security, on the fairness of salaries in the enterprise and, in general, information transparency leads to employee involvement in business activity and increased interest in the work.

The role of public administration among recipients of information must be approached from two perspectives:

State institutions, that are responsible for the macroeconomic decisions, require financial information to evaluate their objectives or to calculate macroeconomic indicators. Such information requests may relate to measuring the production of goods and services, consumption measurement, measurement of income released by productive activities and determining how it is distributed.

The state institutions through exercising fiscal functions request information to determine the basis for the calculation for taxes.

Financial Accounting Information and Decision

Classification of decisions can be done from several points of views.As defined by Herbert A. Simon [2] the decision domain is continuous:

From the Scheduled Decisions: Repetitive or of Routine

- With known rules and decision-making processes;
- With usual automatic procedures;
- Involving "things" rather than people;
- That can be delegated to subordinate levels.

To the Unscheduled ones: New, Unstructured, Non-routine,

- Where the decision rules are not known;
- Have a high degree of uncertainty;
- That cannot be delegated to lower levels;
- May involve "things", but always involves people.

Decision Making

Decision making is a process of choosing between alternatives in order to achieve certain objectives. In literature [3] researchers have shown that there are four stages in the decision making process:

Information

Financial diagnosis aims analyzing the financial situation of the company, drawing the big picture of its assets and its role is to determine recovery measures for points considered deficient.

Modelling

Treasury management is the most important activity within the financial management of the company since through the treasury it may be determined the results of the activity and how objectives set in decision-making process are met.

Choice

The choice of financing instruments is a task of utmost importance in the decision making process as it involves financial costs for the enterprise and risk-taking [4].
Decisions on funding greatly affect the behaviour of investors as a management policy oriented to self-financing will clearly affect the distribution of dividends.

Implementation

Decisional activity in investment aims at placing the enterprise funds and building a portfolio of assets that enables sustainable development of society by expanding assets. Investment decisions are an attribute of high-level management as they fall within the decision-making processes that involve risk taking.Investing involves the development and evaluation of investment projects in the context of a general policy of the enterprise for the establishment and management of an investment portfolio. Investments are treated both in terms of future benefits and payback periods in terms of the risks that should be considered.

Current Approaches of the Financial - Accounting Information System in the Context of Accounting Normalization at European and International Level

The biggest problems for the creators of computer systems for financial and accounting activity are the high instability of regulations in this area, especially fiscal and by the lack of uniformity in the accounting information of companies evolving in different market segments, that have different dimensions or are subject to other regulations that are dictated by membership in a particular geographic area.
All these phenomena lead to solving the problems related to the lack of uniformity for financial and accounting systems, deficiency felt especially for large multinational companies. In support of these efforts must be mentioned the initiatives of the regulatory bodies in accounting, initiatives that must be pursued with interest towards the development of a information support system for decision.
The concept of normalization in accounting arose due to the need for harmonization and uniformity in accounting.
According to the literature [5] to the normalization process can be attach three basic purposes.

Obtaining for public institutions of homogeneous information.
Capitalization of accounting information by users, especially for comparisons over time and space
Contributing to a better allocation of financial resources.

The normalization approach of accounting activities are materialized in the definition of accounting principles and rules based on common terminology for all the factors involved in providing accounting information and users of information.The uniformity of annual financial statements is one of the main objectives of accounting normalization and is a point of great interest in implementing a decision support system as it aims

- The Component of financial statements
- Elements described in the financial statements
- Evaluation of the elements described in the financial statements
- Accounting regulations and procedures for the preparation and presentation of financial statements.

In Romania the businesses accounting information systems must comply with the regulations of the accounting law (Law 82/1991 as amended by Ordinance 70/2004 and Law 420 in 2004). Through the legislation in force are set out provisions relating to liability for the organization and management of accounting, mandatory accounting books (journal register, inventory record and the ledger), time delimiting of financial exercises or indication of international accounting standards to be taken into account in the organization of accounting.

Accounting Standards

Accounting standards are designed to regulate the registration and regulatory operations of accounting, as well as for the developing and disclosure in the financial statements. In practice, an accounting standard is a set of rules that translate into a reference system for the production of accounting information and validate financial statements. Each standard addresses a set of principles, an accounting theme or sector. In relation to the scope, accounting standards can be classified into the following typology

- International Standards
- European standards
- Local standards

The international financial reporting standards (IFRS) are issued by the IASB (International Accounting Standards Board) [6]. According to the objectives of this organization are pursued issues such as the provision of generally accepted accounting rules in order to harmonize accounting practices in different countries or providing a common basis for preparing the financial statements in order to develop comparative analysis (required for the decision-making process in investment)

European accounting directives are issued by the competent bodies of the European Union and are applied in the member states. IV, VII and VIII Directive of the C.E.E. contain provisions relating to the organization of financial-accounting systems and to the presentation of accounting information that are the bases for the decision-making process.

IV Directive of CEE includes rules concerning the preparation and presentation of the annual accounts of companies. This directive has been adopted since 1978 and related, through his articles on evaluation rules, formats of published financial statements and financial communication requirements. Currently the directive was improved with provisions on assessment methods that take into account the inflation and conditions that allow small businesses to be exempt from costly rules concerning disclosure and publishing of financial statements.

According to the directive annual accounts include the balance sheet, profit and loss account and the annex and the three documents form a whole. It is also states that, for the posts appearing in the annual accounts, including equity capital, the evaluation will be done through methods designed to take account of inflation.

VII Directive of the C.E.E. regulates aspects of account consolidation to enterprise groups. This directive was adopted in 1983 and aims at the financial statements providing information about the financial position, performance and financial evolution of groups of companies.

VIII Directive regulates aspects of free accounting profession and auditing annual accounts. Currently, the European legislation requires that the Accounting Directives to continue being applied to listed companies that publish financial statements in accordance with IFRS and there is a whole approach to adapt European directives in order to achieve compatibility with IFRS.

National standards are developed in each country according to the international standards and European directives. In our country, the international financial reporting standards (IFRS) were applied starting with the financial statements of 2005 and involved the restatement under IFRS of the information presented in the financial statements at December 31, 2004.In conclusion accounting represents the results of the company management by the directors and the management of the resources entrusted to them.

Financial statements as a result of accounting processing provides information about the financial position, the performance of managers and changes in the financial position of the company, which are used by users.

Information about the financial position is provided primarily by the balance while information about financial performance is provided primarily by the profit and loss account. To be useful information must be credible, respectively not containing significant errors and users can trust the information and it provides what is expected. To be credible information must faithfully represent the transactions and other events that are reflected in the assets, liabilities and equity.

These are some reasons to why this work should be developed by professionals using modern computer systems for effective financial-accounting management.

Discussion

The installation of an integrated information system has an impact on company management, in terms of perfecting the management and growing the performances of the management act. Financial-Accounting decisions (managers) are positively influenced by whether the information taken is adequate, reliable, delivered quickly and efficiently by implementing an adequate information system which will minimize costs and maximize profits. The efficiency of an IT system is based on a comparison between indicators of the economic activity before and after the introduction or improvement of the information systems, taking into account the effort made by the company. The indicators of the economic effects are reflected in the direct and indirect results in the current activity of the beneficiary. Direct economic effects are due to the influence of the information systems on the economic system of the economic unity and are reflected in practice through the economic-financial indicators. Indirect economic effects reflecting revenue growth, potential cost reduction, additional revenues and foreign currency savings obtained by introducing, implementation and operation of the new system. All types of IT systems are valuable as a strategic resource because it assists organizations to solve many important problems. These systems are powerful tools that allow organizations to remain competitive; they are also called strategic information systems.

Conclusions

The installation of an integrated information system is currently one of the challenges most "exciting" from the activity of a business manager. The dimension of this challenge is given by two elements:

- The size of the business that is going to be computerized and
- The extent the application of managerial skills in areas that make the business.

The first element has an objective nature and obviously the management challenge/concern is proportional to the size of the business, in more direct words, with the level of investment envisaged. In this area there are management and control tools that commensurate the investment costs at each stage and, if used "thrifty", have a beneficial contribution to the successful implementation of the information system.

The second element is more subjective in nature; it is about management "science".

The computer age we live is, in terms of management, one maturing. The process began in the first half of the last decade, with the advent on the Romanian market of companies providing software and, later, those who sought IT services. So, the Romanian computer market began to shift from the mentality in which the hardware itself meant computerization, to a systemic view on this process, a vision in which is known the position and value of each component of the system, hardware, software, applications and services (implementation, support, maintenance and so on).

The decider ability to obtain sufficient information is limited by certain restrictions, three of which are common i.e. costs associated with information acquisition, analysis possibilities of decider, the characteristics of the relations between the decision maker and the environment.

Financial-Accounting decisions (managers) are positively influenced by whether the information taken is adequate, reliable, delivered quickly and efficiently. In this respect it is stated that "the effectiveness of a company is directly linked to how it knows to treat information" [7-10] due to increased concern for the establishment of an appropriate system.

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