ISSN: 2278-3369
International Journal of Advances in Management and Economics
Available online at www.managementjournal.info

RESEARCH ARTICLE

Information System-Basis for Successful Management of the Organization

Ing. Nora Stangová, CSC*, Agnesa Vighova

Department of Small and Medium Enterprises, School of Economics and Management on Public Administration in Bratislava, Slovak Republic.

*Corresponding Author: E-mail: ***nora.stangova@vsems.sk, agnesa.vighova@vsemvs.sk***

Abstract

Current conditions for successful operation of organizations within the EU require a high-quality and timely information to managers of its affairs and the situation in the area. The basis of a good information system, which is a major part of accounting. Understanding of accounting has changed, because the need for compatibility within the EU requires better data reporting ability, the results of mutual links. Another is the financial analysis, which is the basis for decision making in the organization.

Keywords: *Balance, Cost, Expenses,Financial analysis, Information system, Public sector, Self-government,Revenue.*

Introduction

In current period of systematic development of techniques, technology and due to modern information technologies there occur new transformations in a wider context in this area. All these transformations are accomplished in ever shorter intervals [1] and prove a higher intensity. The organizations can´t ignore this trend of development because it could prefer those who accept it. Competition is being globalised and is constantly increasing [1]. This process brings about pressure on countries and organizations existing within them. It is necessary to deal with this transformation as it means an initiating process which will influence not only the environment of entrepreneurship but also the public sector and its position.

Public Sector from the Viewpoint of the Information System

After entering Slovakia the European Union the principles of accounting in the public sector have to meet the criteria set by principles of Financial Condition Reporting. The transformation of accounting which started with enactment of the Act on Accounting Nr. 431/2002 Coll. and provision of the Ministry of Finance of SR Nr. 24501/2003-92 set new requirements on presenting true and real data on assets and liabilities and on the financial situation, spending the public funds and moreover on the basic attributes of competitiveness in this field. Taking into consideration the fact that in is inevitable to control the budget assigned funds further the economical ability is important which is proved mainly by the financial analysis and the economical ability is the base for creating competition between the entities of the public administration and between public sector and entrepreneurial sphere. Competition is understood in the sense of competing in supply and demand for services which will be fully provided and are comparable with the private sector from the viewpoint of achieving goals bur maybe the provided services will be cheaper and more available for different classes of population. In each case when there exists a competition then as a consequence the relation between the amount of costs and the achieved profit will be improved. [2] (E.g. free choice of doctor, free choice of school). Financing of public administration is related to the performance and its result – the profit while monitoring the profit is a complicated process which hinders the tendency of public sector leading to non -efficiency.

We will focus on municipality – self-government which is a part of the public sector. The territorial self – government is the representative of civic community, their needs and preferences [3], and it is accredited with competences, authority and responsibility for fulfilling tasks at the local level.
The integration of the municipality into the territorial structures is a consequence of public property provision which the municipality provides via:

- The entities within the municipality administration.
- Private sector.
- PPP – (public private partnership).
- Non-profit, non-governmental organizations [3].

In each case the public property provision should be produced in a rational and measurable way monitoring the economical relation between inputs and outputs of assigned funds. [4] exclusively e.g. the “3E” Methodology or input-output methods and other measurements of performance which are the subjects of the control process as the consecutive function of the management.

The internal financial analysis is important as it informs about the municipality management, total financial situation and it is a suitable monitoring tool of management - concerning the competitiveness how to meet the needs of clients concerning the quality of provided services.
The aim of the financial analysis [5] is:

- Assessment of the actual financial situation,
- Access to information for our own needs and for external entities,
- Determination of the further development.

Ultimately the financial analysis of the municipality can reveal the strongpoints and weak points of its financial management. The information obtained from the financial analysis is important because the municipality administers public finances. To carry out financial analysis in a municipality is more complex and complicated and it is mainly focused on the analysis of the management.

Information Sources as Competitive Advantage

In current global economy the ability to work with information can directly ensure competitive advantage. The organization which is aware of its internal situation creates appropriate information sources and originates its powerful knowledge background which outlines its own possibilities and strengthens its competitive position. One of the methods is the financial analysis.

The financial analysis evaluates data from accounting reports [3] and it is a required prerequisite of exploitation of returnable financial resources resp. it is the base for decision-making on allocation of these resources and it demonstrates real information about the position of the municipality. The financial analysis is accomplished due to these given data. Information and data do not mean the same. Concerning different data - in other words entries the knowledgeable user can use them as information. [5]. The information included in data is covered with disturbing influence and by utilizing the information this influence can be obstructed or totally excluded. The information has a meaning only in that case of its utilization. The information system is a file of activities which ensures collecting, processing, transfer, storing and utilization of information [6]. The basic tasks of the information system (IS) are the followings – registration of documents, preparation of decision-making, comparison and controlling, process management. The essential fields if IS can be divided into ex-post and ex-ante ones. The EX-post fields are: accounting, final calculations, statistics, operational evidence, analyses. The EX-ante ones are: budget ring, planning, tentative calculations.

At the level of the self government the financial analysis proves some specialties as its subject is [3] current management, investment and financing and asset management. It is an essential tool of management under condition that the analysis should reveal the positive and negative factors influencing the management and at the same time identifies the methods of eliminating the negative factors and supporting the influence of positive ones.

The financial analysis focuses on assessment of strongpoints and weak points of particular self-government /SG/ and simultaneously it is interrelated with the analysis of financial flows of revenues and expenditures [3], which determine the budget. Basic information resources for financial analysis of the self-government can be showed in Figure 1.

The basic structure of budget assessment report is prepared pursuant to law on principles of budgeting of territorial self – government.
The budget contains:

- Revenues and expenditures related to the operations of the self-government [7].
- Financial relations to the municipal resp. regional public sector.
- Financial relations to entrepreneurial entities.

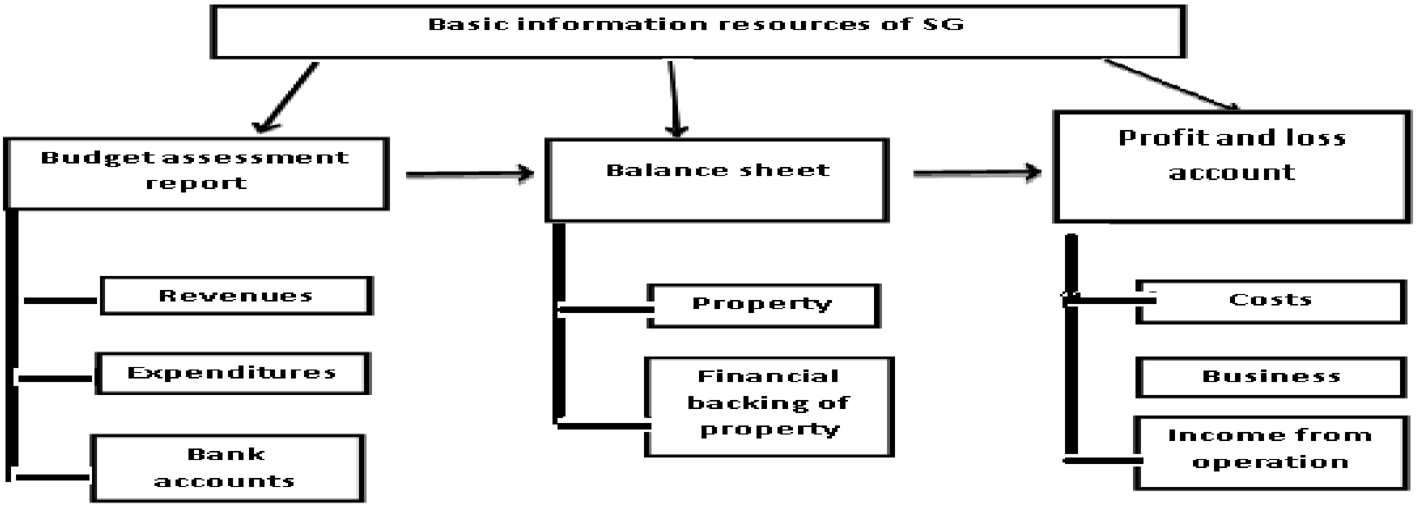

Fig. 1: Information resources source : own source

- Financial relations to the complete budgeting system (state budget, shares on taxes, subsidy on delegated performance of state administration).

- Financial relations to the other entities (banks, insurance corporations, etc.).

Balance Sheet is the Accounting Report

Demonstrating the financial condition of the self-government including assets and claims [8].

The summary of possessions (assets) equals to resources (liabilities) where the possessions of the self – government come from according to the balance sheet defined for the self - government the credit side is divided into:

- Non - current asset – usable life is >1 year,
- Current asset – usable life is maximum 1 year.
- Liabilities contain the financial backing: Obligations to external subjects and to the owner of the business.

The profit and loss account is a detailed overview of business revenues and losses expressed in financial figures showing the real income from operations [9].

At the level of the self - government the financial analysis proves some specialties as its subject is current operations, [3], investments, financing and asset management. The analysis should exhibit the positive and negative factors influencing the operations of self – governmental unit and moreover it should determine the steps which could avoid the influence of threats and strengthen the influence of positive factors. There are two approaches to the financial analysis:

- Fundamental – focusing on evaluation mainly of quantitative data about the organization however the basic method of the analysis is the specific estimation of the evaluator.

- Technical -applying mathematical, mathematical-statistic and other algoritmised evaluation methods nevertheless according to the level of difficulty and seriousness of particular methods there exists a division into elementary and higher – level methods. [9].

Taking into consideration the financial reports we can carry out further operation e.g. analysis of trends which identifies how a particular item in accounting report has changed compared with previous period or vertical analysis which defines the share of each item in accounting reports in percentage.

Pursuant to § 16, art. 5 Act Nr. 586/2004 Coll. on Accounting Principles of territorial self-government the final account of the self – government includes:

- Data on budget fulfillment in division of revenues and expenditures in accordance with actual budget classification.
- Balance of assets and liabilities,
- Overview on current condition and further development of debit.
- Data on operation of contributory organisations in their competence.
- Overview on provided guarantee according to individual beneficiary.
- Data on expenses and revenues in entrepreneurial activities.
- Assessment of programmed fulfillment of the community and programmers of higher territorial unit.

Due to the above mentioned statement it is true that the overview on financial management requires a complex assessment of all aspects concerning the financial reporting, accounting and budgeting. In addition to standard methods and processes of financial management, those ones as provided by law there exist other possibilities how a self – governmental unit can demonstrate its financial position with the aim to obtain the best initial information as possible for management in respect of competitiveness.

Short Financial Analysis Based on Particular coefficients in a self – Government Model

For illustration there were selected ratio coefficients of management analysis of organizational unit of self – government which will be further applied in determined conditions of a self – government model [5]. As an example it has been chosen the following system of coefficients.

- Coefficient of autarchy – reflects the mutual relation of revenues and expenditures: **revenues/expenditures x 100**

- Coefficient of financial self – sufficiency which proves the ability of self – sufficiency in financial management of the self – government and it can be defined as follows : **own revenues / total revenues x 100**

- The coefficient of financial ratio defines the ratio of external revenues in the budget to the total revenue in the budget. Its value can be defined by deduction of the financial self-sufficiency value from the value of 100 **external revenues / total revenues x 100**

- According to the fact that the main source of self – government revenues comes from taxes and first of all from shares on income taxes of natural persons as a result the coefficient of tax self – sufficiency can be interesting for the self – government as it presents the ratio of tax revenues to current revenues. **tax revenues / current revenues x 100**

The above mentioned coefficients are only examples from a wide range of financial analysis methods which can be applied in a self – government to improve its decision making process leading to increasing its competitiveness. Tab. 1 shows data calculated from the real revenues and expenditures of a self – government model during a 3 – year – period (before considering the impact of financial crisis).

Tab. 1 Selected coefficients of financial analysis in the self – government model

Se q. Nr.	Coefficient	Unit of measurem ent	Period		
			1	2	3
1.	Autarchy :	%			
	- current		102, 26	115, 68	113, 37
	- capital		83,5 6	58,7 1	81,3 7
	- total		99,8 7	109, 22	106, 53
2.	Financial self-sufficiency	%	41,7 0	65,7 5	72,8 2
3.	Financial dependency	%	58,3 0	34,2 5	27,1 8
4.	Tax self – sufficiency	%	33,5 5	60,1 0	61,6 7

Source : Internal materials of the self - government

Due to introduced coefficients and applying the trend approach the self – government can obtain a lot of useful information which will outline its development from the viewpoint of allocation of disposed resources into the programmers which provide the operation and further development of the self-government and at the same time the competitiveness in providing services in best quality and at appropriate costs. The current autarchy has more favorable values than the capital one which is partly caused by the fact that the self – government is obliged to draw up its budget as balanced one resp. as budget surplus. The coefficient of financial self – sufficiency is increasing however the self – government decides on spending the amount of own revenues relatively independently. The goal to be achieved in the case of this coefficient logically can´t be 100 % financial self - sufficiency as in the model of combined financing of territorial self – government it is not possible. The entire there coefficients are interrelated and they determine the financial or tax power calculated per one citizen [10]. Their increase is a consequence of tendency requiring that the territorial self - government should have wider responsibility for a great deal of public properties and services and it is an indicator of responsibility for providing own revenues. The development of financial coefficient is not only the reflection of the financial potential of the self – government but also the result of increasing possibilities of outputs.

Conclusion

In Conclusion Some Open Questions

The above mentioned facts underline the demand form qualitative information system in the self –

government which provides a base for the financial management and this way the requirements on modern self – government are met and the self - government can fulfil its task concerning expenses and performance in current times of competitiveness in all fields of services.

The fulfillment of tasks in praxis can be confirmed in the future periods which will bring about increasing pressure on operation of self-governments and their evaluation.

References

1. Hussey DE (2000) Jak reorganizovať firmu. Praha : Cumputer Press. p. 35,61.
2. Beňová E, Cibáková V, Plavčan P (2005/2006) Úvod do teórie verejného sektora. Bratislava : Merkury, s.r.o. p. 130.
3. Peková J (2004) Hospodáření a finance územní samosprávy. Praha : Management Press. 2004. p. 21, 29, 216, 25,216,24.
4. Ochrana F (2002) Manažérske metódy ve veřejném sektoru. Praha : Ekopress, s.r.o., p. 180.
5. Kraftová I (2002) Finanční analýza municipálni firmy. Praha : C.H. Berk. p. 25,55,78.
6. Csikósová A, Kameníková K, Teplická R (2004) Informačná sústava podniku, Košice, ES/AMS, 2004. p. 17.
7. Mitaľová J, Molitoris P (2006) Právno – ekonomické aspekty rozpočtov vo verejnej správe. p. 60.
8. Fabian Š (2005) Rozpočtovníctvo a účtovníctvo verejnej správy, obcí, VÚC a nimi zriadených rozpočtových a príspevkových organizácií, Súvaha p. 81.
9. Šlosárová A (2006) a kol. : Analýza účtovnej závierky. Bratislava : IURA Edition. p. 242,286.
10. Crainer S (2000) Moderní management. Základné myšlienkové směry. Praha : Management Press, Zákon o účtovníctve č. 431/2002 Z.z. v znení neskorších predpisov