

CONSIDERATIONS CONCERNING ACCOUNTING INFORMATIONS AND ACCOUNTING DECISIONS AND THEIR IMPLICATIONS IN BUSINESS MANAGEMENT

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Abstract

The accountants need to make choices to recognize, evaluate and classify business transactions for assuring true and fair value of informations. In this paper, we try to classify these choices so that called accounting decisions. Also we try to view them in an informational perspective knowing the importance that accounting informations has in the process of making business decisions.

Keywords: *accounting decisions, accounting information, business management*

Introduction

Many professional writers that define accounting as technology science argue that accounting information, they predominantly due to the specific number, is placed within the perimeter of objectivity and accuracy.

It is known that accounting information as a starting point are two different sources and uneven in terms of quality.

Thus, the following transactions carried out from various markets are seen in the emergence during the financial year. They are largely the result of estimates and reflect the accounting policies of the enterprise management.

Even when there are seemingly strict rules, professional accountant can do to make ordering choices to describe the facts, of a margin of freedom that lead to a subjective interpretation of them.

Economic decision-maker needs information coming from the external environment and internal environment of the enterprise.

Accounting information is essential in making economic decisions by management factors.

Accounting performs a data processing transactions and economic events held in the firm providing financial information (if the form of a monetary valued information), non financial (if expressed quantitatively) and/or accounting (if it has undergone a process of specific data processing accounting).

In their concern to provide a true and fair view in order to help decision makers, professional accountants reasoning applies (according to International Accounting Standards/Financial Reporting), taking decisions on the use of another treatment or to make a good information.

In this context, in this paper, we will try to outline a possible answer to these questions:

- 1. Use accounting information in accounting decisions ?**
- 2. Accounting decision is an economic decision ?**
- 3. Accounting decision is an operating decision, an investment decision, or a financing decision ?**

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Importance of professional reasoning – a skill summum

In their concern to provide a true and fair view in order to help decision makers, professional accountants reasoning applies (according to International Accounting Standards/Financial Reporting), taking decisions on the use of another treatment or to make a good information.

Accounting is not an exact science for obtaining relevant information requires making judgments for each case - shows a business associate of the French audit firm.

Financial Accounting provides financial information to external users. Is and why it is called so. It should be noted however, that it applied accounting treatment of the data represented by economic events in order to provide financial information.

Economic decisions concerning the optimal functioning of the company so long term and short term.

Financial decisions relate to financial instruments are financial risks for the enterprise or speculative purposes. They occur under the conditions of capital markets where the price negotiated equity investors offered securities of companies that listed on the stock market.

The major role of management accounting is to produce information that allows modeling of the relationship between resources deployed and consumed and results in return; in an optical forecast, management accounting help decision makers, and a retrospective measure optical performance¹.

Managerial accounting provides accounting decision-maker in the spotlight. He must deal with planning and budgeting, performance evaluation and cost control so that the overall objectives of the company can be reached.

Lack of standardization in the field of management accounting provides accounting in ambiguous situations where you must prove velleities the decider. Furthermore, by applying the International Accounting Standards, accountants must use professional reasoning in finding problems, evaluation and classification.

In accordance with International Accounting Standards, in case there is no relevant accounting standard, enterprise management develop accounting policies in accordance with "General preparation and presentation of financial statements" and ensure that "financial statements provide information showing true results and financial position of the company, reflecting the economic reality of events and transactions, not just their legal form, are unbiased and prudent and has all significant material².

If in special circumstances, compliance with accounting standards do not meet the requirement to present a true, enterprises management will deviate from these requirements as necessary to present a true. In this case, the company must submit in the notes, the provisions from which deviations were made, the nature of misconduct, considered improper accounting treatment, the treatment adopted, and the financial impact of these deviations.

The main areas in which management accounting estimates and judgments are important is: tangible and intangible assets, financial investments, provisions for assets, long-term contracts, determining provisions and contingent liabilities, segment reporting.

¹ Bouquin H. – *Comptabilité de gestion*, translation and introductory study – professor N.Tabarã, Publishing TipoMoldova, Iași, 2004, pp.65

² Bogdan V. – *Harmonisation of international accounting*, Economic Publishing House, Bucharest, 2004, pp.404

Accounting decisions and their adoption results in business management

Accounting management of the enterprise lies in its administration regulatory compliance with accounting data so that decisions and actions of the company to respect the fundamental objective of the true and fair value.

The objective of financial statements is to provide information about financial position, performance and changes in financial position performance and changes in financial position of the enterprise, which are useful to a broad scope of users in making economic decisions³.

Often the leaders pursuing the objectives of enterprise management, the accounting will be tempted to make a subjective choice⁴:

1. The reduction result: by extracting depreciation and provisions for risks and charges; by extracting overheads; the undervaluation of stocks;

2. The increase in earnings: by estimating from a lack of provisions for impairment; by generating a profit from a financial leasing operations; the abandonment of claims within a group; by estimate asset value as a result of mergers between companies; incorporating the financial costs of the acquisition cost of an asset or a stock; the failure to update a term debt and interest without generating.

So far we have tried to emphasize that the accounting work is not limited to the registration of a company acts in the economic and technical knowledge does not require registration in accounts skills decider they do not make books in a management team member. Robert Kaplan says the team that creates value for an organization is one in which accountants are involved and that they should participate in formulating and implementing strategies in an organization.

Identify activities that are decisions to be made carefully, because not every activity performed by an accountant involves a decision.

These decisions consist of choosing from a set of possible alternatives.

Research in the field of accounting decisions are not many studies on the role although there are numerous accounting and information provided by it in decision making.

In the field of management research organization well known are those relating to economic decision.

In the field of accounting decisions proves significant with reconsidering the accounting officer responsibilities and powers in the chief financial officer. This was not an accident but was caused by the adoption of Romanian companies in the management structures of capitalist organization. This feature of the professional accountant and business leaders namely dress specific to certain types of managerial responsibilities.

Chief financial officer is responsible for managing the organization, compliance directives dealing with senior management control and effective management of organizational resources.

Management is planning, organization, coordination and control. Being chief is in our opinion, not only to drive and we believe that in the financial accounting function to perform all the attributes of enterprise management. Thus we speak of enterprise accounting management. Presence of several options in a country's accounting referential that fact and the presence of several reference in the accounting system of a country or difficulties resulting from international comparisons, diversity in accounting policies and estimation techniques can create a state of anarchy with serious consequences for decision making.

When asked if there is only one true account?

³ IASB – Framework, paragraph 12

⁴ Popescu A.F. – *Methods and techniques of reconciling the differences between accounting and taxation in the application of International Accounting Standards*, Congress of the accounting profession in Romania – "Harmonisation or convergence in the International Accounting Standards", Bucharest, 2006

The answer is definitely negative although that can be answered, however, each accounting provides economic and social life protagonist in truth it needs⁵.

Economic event analysis reveals practical problems of quantification enterprise: problem finding, problem assessment and classification problem.

These three issues are now based on almost any major decisions in the field of financial accounting and application of accounting policies.

Thus, these decisions can be listed asset management activity represented by assets, stocks and cash: choosing a method of depreciation of property, choosing a method of evaluation of goodwill, inventory selection system, the choice of assessment methods outflows of stocks, assessing claims based on certain valuation bases, the problem in assessing the fair value of assets, the revaluation for assets using historical cost to register.

Decisions in business debt management: debt evaluation according to certain bases of assessment, classification and distinction in debt, contingent liabilities or provisions as appropriate, the classification of leasing operations, classification of financial instruments that assess their accounting and financial assets or liabilities, credit risk problem in assessing the fair value of financial instruments, hedge accounting issues related to credit risk arising from the use of derivatives, tax management.

Decisions in business enterprise capital management sizing issue and redemption premiums, subsidies for investment management, classification of financial instruments in debt and equity elements.

Table 1

**Accounting decisions and their adoption results
in business management**

Scope	Name	Detail	Result
Financial Accounting	Observation Evaluation Classification	Decisions related to professional reasoning in making management accounting firm heritage	Presentation of financial information used by these external users in financing and investment decisions.
Management Accounting	Make or buy Capital expenditure policy and management Award costs of products and services	Decisions related to performance management (balanced scorecard, dash boards) and monitoring budgets to achieve the planned levels	Disclosure by the management company for planning, control and decision making (especially those operating work-related).

Internal Management

Reveal internal management issues: performance evaluation, planning and budgeting (track to achieve planned levels by budgeting), cost allocation methods used for products and services, forecasts, assess each area of responsibility within a company, determining the causes of deviations

⁵ Pop A. – *Romanian financial accounting harmonised with EU Accounting Directives and International Accounting Standards*, Publisher Intelcredo, Deva, 2002, pp.15

and taking the necessary measures, budgeting capital expenditures, such decisions to produce or buy, decisions on special orders, capital expenditure policy and management, maintain control over production costs (continuous comparison of costs with revenues expected proceeds from the sale of products), inventory control structure, (there are enough goods products, raw materials and products in progress to meet future demand), critical point analysis.

Decisions management accounting for assets, liabilities and equity are taken by the chief financial officer with other accountants in the financial accounting department, on the basis of financial accounting information, economic environment, the existing norms and standards in the field and analysis based on information held, provide appropriate solutions.

Note that all these decisions are not subject to approval by the general manager, they have adopted or approved by the chief financial and information resulting from the adoption of such decisions in the company's information flow is materialized in the accounting system output and active input, debt or equity.

Supporting documents for the information represented by these accounting decisions are economic manager decisions.

For internal management, decisions are taken by the chief financial support of management accountants performers, based on information relating to costs or activities provides cost management solutions, performance evaluation and for budgeting and planning.

Conclusions

The first question asked in this approach is:

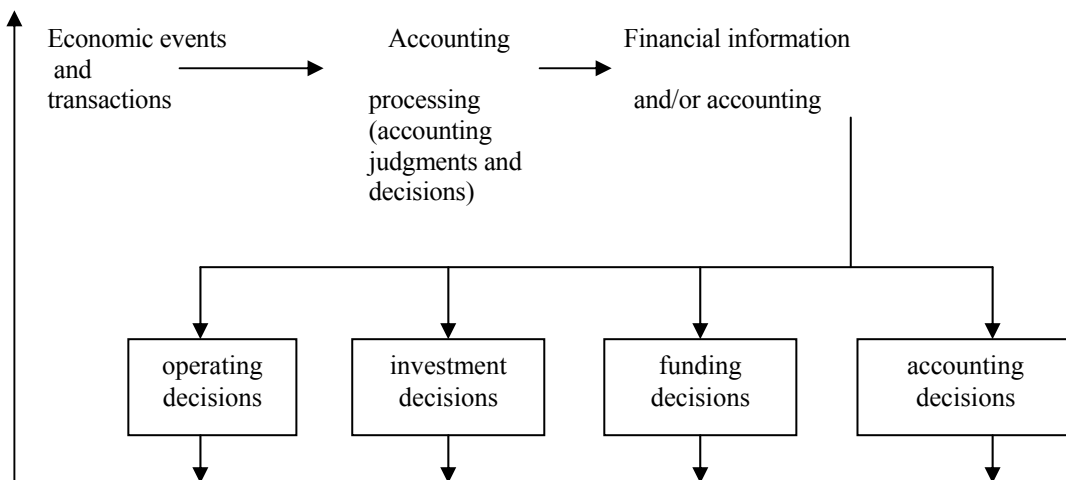
1. Use accounting information in accounting decisions ?

Accounting decisions makes a primary data processing system provided by transactions and economic events.

Our opinion is that the accounting information used in decisions related to management accounting (decisions make or buy) sizing budgets, performance evaluation of managers).

In the following figure we present the link between accounting information and accounting decisions.

Figure 1



A second question that arises is:

2. Accounting decision is an economic decision ?

Accounting decision is an economic decision to the extent that it takes place in a company and is related to its economic life. But accounting decisions related to management activities specifically, accounting is known as a science of business management.

Going concern is an accounting principle and a goal for management.

The third question that arises is:

3. Accounting decision is an operating decision, an investment decision, or a financing decision ?

Cycles of economic activity of the company are divided into: investment cycles, cycles of operation and funding cycles.

In their accounting decisions are provide information relevant internal and external users.

In conclusions, the decision is specific accounting of all business cycles of the enterprise.

What does this mean for users of financial accounting information ?

Users of financial accounting information is usually in a paperless environment, a system needs to offer the conditions for satisfying its decision. In fact, based on information and knowledge are making a decision. Translated in accounting, decision making based on accounting information and knowledge are carrying.

Current systems for automatic data processing transactions are focused on transactions (namely the supporting document).

It is enough for an accountant to get that operate with a supporting document in the accounting and recording solution is offered by computer application.

In this context, it is proven that an accountant apply knowledge, reasoning and even make decisions in accounting problems, we believe that under International Financial Reporting Standards implementation, IT applications should include more opportunities for analyzing information to help makers.

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