

# THE QUALITY OF THE BOOK-KEEPING INFORMATION – ESSENTIAL CONDITION IN ORDER TO MAKE EFFICIENT DECISIONS

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*Summary: The accountancy, as language of business, must keep up with the evolutions which have been registered in the fields of economical life and the need to promote unanimously accepted concepts prove its usefulness more and more.*

*The contribution of the accountancy in the achievement of managers' strategic objectives manifests itself under the form of the assurance of necessary information in order to gain control and to determine the degree of responsibility and of the effect at different jobs. This thing allows the tracking down of internal reserves, of non-economical expenses and of losses.*

*In other words, the book-keeping information constitutes the most important source, the „data base” of the leadership in the process of making decisions. Thus the accountancy becomes needful in the leadership activity of economical entities, indifferently of the activity which they develop.*

*Key words: book-keeping information, qualitative characteristics, relevance, users, decision*

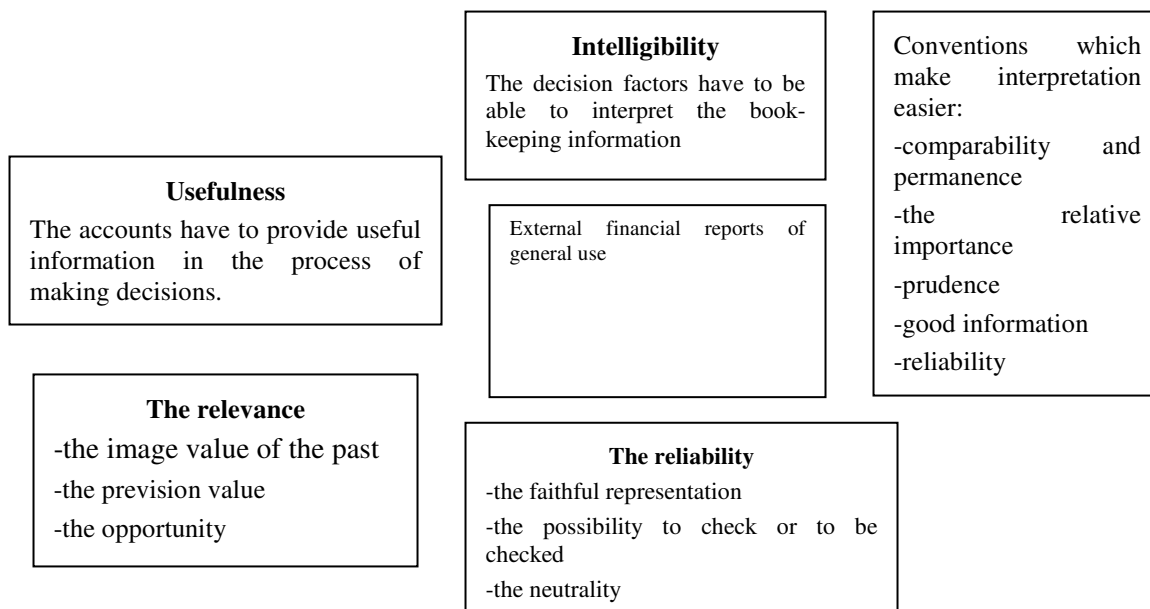
The relationships between the economical unities and the background where they develop their activity generates the need of relevant and objective information whose satisfaction demands an appropriate offer. The production of book-keeping information is assured by professional practitioners in this field within the informational book-keeping system of the entity. This type of information must accede to certain demands so that it can be useful for everybody who uses the accountancy products. That's why we consider that their dissemination must take place in a dynamic and rational process as a result of the negotiations and compromises between the enterprise and the external factors.

Nevertheless, we have to notice that the growth of the number of users who apply to book-keeping information determined both the growth of the volume of requested information and the exertion of a constant pressure during the dissemination process. At the same time we witness an intensification of the entity's responsibilities towards the quality of the product.

The book-keeping information in the decisional process is useful to the partners of trading companies only if it accomplishes certain attributes called qualitative characteristics.

The need of qualitative book-keeping information has appeared in the United States after the economical, financial and stock market crisis from 1929 when the investors didn't have enough information. The first step in this direction was to establish financial rules for companies which were making out negotiable titles.

The users take advantage of the support of the generally accepted conventions which have the goal to simplify the interpretation of financial situations. FASB enumerates the following generally accepted conventions: the comparability and the permanence of methods, the relative importance, the prudence, the good information and the reliability, which influence the quality of information transmitted to the users. This thing is also noticed in the figure below.



**Figure 1. The relationships between the qualitative characteristics of the financial information and the generally accepted conventions**

Though they have the same objective, the qualities of the book-keeping information vary in different ways according to the body which nominates them.

According to the General framework of IASB (International Accounting Standards Board), in order to elaborate and present financial situations, the qualitative characteristics of book-keeping information, seen as symbols which determine their utility, refer to: intelligibility, relevance, credibility and comparability.

Intelligibility is presented as the main characteristic of financial information. The paragraph 25 stipulates that “the information delivered by the financial situations must be easy to understand by the users”. In order to reach this goal the articles and the book-keeping elements are aggregated and clarified in the most adequate way. They must assure a balance between the book-keeping knowledge, that concerning the businesses and the economical activities, on one hand, and their interest to study the information reflected in the financial situations, making the necessary efforts, on the other hand.

Obviously, not all the information are accessible to all the categories of users. There is complex and relevant information which appear in the financial situations even if all the people don’t understand it. To assert that any book-keeping information with a complex character may be understood any time and by anybody means, in our opinion, to deny the necessity of qualification and perfecting of human resources in this field.

We think that the information regarding the complex problems which influence the users’ economical decisions must be included in the financial situations even if they prove to be more difficult to understand to a part of the users.

The relevance represents the quality of financial information to influence the users’ economical decisions, supporting them to evaluate past, present or future events, confirming or correcting their previous evaluations. For instance, the balance sheet and the profit and loss account offer to the users information related to the financial position and to the performances of the enterprise from the past financial budgetary year but they also help them to make previsions regarding the financial position and the future performances in other fields of great interest such as: the payment of dividends, of wages, the capacity of the enterprise to honour its falling due obligations.

In the theory of speciality, the relevance of information is present under two forms: spatial and temporal.

The spatial relevance of information supposes its selection and processing according to the needs of a beneficiary while the temporal relevance supposes the bringing up-to-date of the information.

The two forms of the relevance are found in the General Framework of IASB under the denomination of “the nature and the threshold of significance” and represent the influence factors of the relevance and of the opportunity of information.

In some circumstances, the nature of the information is self-sufficient in order to determine its relevance. For instance, the information regarding the creation of a new activity sector in an enterprise is sufficient in order to measure the risks and the opportunities of the enterprise, indifferently of the results registered within the new activity sector during the report period. In other circumstances, the nature of the information is not self-sufficient in order to determine its relevance, both of them being necessary. For instance, the information related to the debts of a society must be completed taking into account their falling due terms.

An information is appreciated as being significant if its omission or its wrong presentation changes the economical decisions of the users taken on the basis of financial situations. The threshold of significance depends on the size of the element or of the error which is judged in the specific circumstances of the omission or of the wrong presentation. As a consequence, the threshold of significance represents more a limit than a main characteristic of the information in order to be useful and relevant. It's worth being mentioned that we notice quite frequently that the published book-keeping information is affected from the point of view of the relevance characteristic because it has a subjective character which results from the expression of the individual's opinions in what concerns the methods and the practise of the commitment book-keeping. The book-keeping documents do not deliver raw information but information which have suffered some processing or retreatment whose meaning depend on the utilization and interpretation of book-keeping principles. There are certain limits due to the fact that rules and principles can not predict everything, leaving also freedom of action to the enterprise in order to book-keep some operations or economical phenomena.

In conclusion, we can assert that the book-keeping information is relevant when it helps the users to evaluate correctly the past, present and future events, confirming or correcting their evaluations.

The credibility of financial information refers to its lack of error, partiality or distorsion so that the users can trust that it represents the reality in a correct and reasonable way. In other words, the book-keeping information must be neutral and complete. It also must represent the events faithfully and reflect mainly the economical substance of operation, not only its legal form.

In its book-keeping framework IASB imposes neutrality as a characteristic of financial situations, stating that “in order to be credible, the information included in the financial situations must be neutral and must lack influence. The financial situations are not neutral if through the selection and the presentation of the information influences the decisions or the formulation of a reasoning in order to reach a result or a pre-determined goal”.

The IASC book-keeping framework stipulates that: “In order to be credible, the information must represent the transactions and other events they are supposed to represent or which could reasonably be expected to represent. For instance, the balance sheet must represent in a credible way the transactions and other events which are being concretized in current assets, debts and stocks in-trade of an enterprise at the report date and which accomplish the recognition demands”.

Nevertheless, being credible supposes also being prudent, cautious in what concerns the exertion of professional reasoning (the current assets and the incomes should not be undervaluated while the liabilities and the expenses should not be overevaluated).

The complexity of the contemporary activity makes us question about the credibility of book-keeping information. This characteristic of being credible is fully satisfied only when the whole truth is reflected in accountancy and when the user is sure of the trustworthiness of the information.

The comparability represents the quality of book-keeping information which can be compared by the users.

The comparability of book-keeping information must be assured both in time and in space. By comparing book-keeping information of a company in time, the decisional factors can identify the evolution of the financial position and of the performances obtained by the company. The comparability of book-keeping information in space offers to the users the possibility to make decisions through the comparison of financial situations of different companies.

One of the important implications of comparability is that the users should be informed about the book-keeping policies used to elaborate financial situations, their changes and their effects. Besides, the users

should be able to identify the differences between the book-keeping policies used in transactions and other similar events used within the same enterprise at different periods of time or those used by other entities.

The necessity of comparing the information doesn't have to lead to uniformity and doesn't have to constitute an obstacle in what concerns the introduction of improved accountancy standards. It's not in the advantage of an enterprise to continue its book-keeping in the same way for a transaction if the adopted method doesn't maintain the qualitative characteristics of relevance and credibility. Besides, it's not indicated for a company to leave its book-keeping policies unchanged when there are more relevant and credible alternatives.

The general framework IAS also presents a series of limitations which can restrict the quality of book-keeping information even if all the desiderata mentioned above have been accomplished. The opportunity of presenting / publishing the information is essential because a "perfect" information which has become degraded because of the passage of time can no longer be relevant though it's credible. On the other hand, an incomplete information may be relevant but not credible.

The Romanian scientists agree with the IASB opinion according to which "the application of the main qualitative characteristics and of adequate book-keeping standards has normally as a result the elaboration of financial situations which reflect a faithful image of the enterprise situation".

However, there are some questions related to different aspects which don't have anything to do with the normalization process but which influence the quality of the book-keeping information. In that regard, we can mention several aspects:

- can we talk about the relevance of book-keeping information when there are a lot of users who have at their turn a big diversity of users?
- which is the unanimously accepted degree of intelligibility?
- how objective is the book-keeping information? Is there a conflict of interests between the economists and other categories of people who use book-keeping information?
- The quality of book-keeping information is being appreciated according to the economic reality (as long as this reality, depicted, on one hand, by the economical, social and political climate in which the Romanian enterprises develop their activity and, on the other hand, by the economical and financial situation of each enterprise) and is being characterized by insecurity, non-productivity, reduced performances, etc. We can expect nothing but a painful "book-keeping truth" and we suppose that under these circumstances we may assist to a distortion of the book-keeping image.
- Is there a comparability if there are standards which limit the options but do not exclude diversity?

We think that the satisfaction of the informational needs of the users in making economical decisions imposes the achievement of a balance between relevance and credibility.

- The rapport cost-benefit has as a premise to consider the financial information as a "resource of the enterprise". The benefits obtained through the use of information must be superior to the costs which are necessary to its delivery.
- The balance between the qualitative characteristics is, generally speaking the condition sine-qua-non in order to achieve the objective of the financial situations. The achievement of this objective becomes more difficult when the relative importance of qualitative characteristics is a problem of professional reasoning which belong to the producers or users of information related to financial situations".
- The faithful image or the faithful presentation, the performances and the changes of the financial position must be a reality, not an idea.
- In order to be useful in mking economical decisions, the book-keeping information must have all the qualitative "standards". That's why, some "situations of conflict" may frequently appear between them. The most commonly encountered situation is between the relevance and the credibility because the growth in what concerns the relevance of information decreases its credibility. We can assert that to impose some qualitative characteristics to the book-keeping information is a necessary nut not sufficient condition to have the guarantee of its quality.

Due to its importance, the problem of quality criteria has been in the center of multiple theoretical and empirical studies. Such a study has been made by the researcher Morton and has had as an objective to check if the qualitative characteristics mentioned in the conceptual framework are correctly understood in practise and if they form the basis of making a correct decision. The conclusions enunciated by Morton have been the following: the qualitative characteristics are subjective while the intelligibility and the relevance are two qualities which depend on each other. As a consequence, the information which is less intelligible but relevant are not taken into account by the users when they make economical decisions.

We can draw the conclusion that in the economical unities the book-keeping information plays a very important role in the knowledge and the multilateral analysis of phenomena and processes and it constitutes, in fact, the basis of making decisions. They have imposed both through their increased cognitive value and through the importance they have in the total volume of economical information.

The efficiency of the decisions and of the aactivities undertaken in the leadership process is influenced by the quality of book-keeping information and by the way this information is understood and applied. This category of information allows the leadership of economical unities to realize the way in which the activities must be developed and to compare the efforts which have been made with the results which have been obtained.

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