ACCOUNTANCY VIEWPOINTS REFERRING TO COMPANIES' PERFORMANCE

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Abstract The company's performance reflects its capacity of generating future cash-flows, as well as the efficiency of its resources. The information on the performance and profitability is essential for estimating the potential variations of companies' resources that are to be controlled in the future. The information on performance variation is also useful for anticipating the entity's capacity to generate cash-flows using its existent resources, and for analyzing the efficiency of using new resources.

Keywords: the company's performance, profit and loss account, financial statements, income, *expenses*

Methodology

This paper sets out to analyze the accountancy viewpoints referring to revenues and expenses of the current period, by applying the principle of revenue-expenses-connection and also showing in which manner the performance of the company may be affected. This principle is actually the result of the commitment accountancy according to which the revenues are present in the profit and loss account by associating directly the costs with certain revenue elements**.**

The profit and loss account – faithful image of the financial performance of the enterprise

The profit and loss account has been regarded for a long period of time as a completion of the information present in the balance sheet, reflecting elements and costs, expenses, losses, income, earnings and result. The increase of the information needs of the users for the financial statements concerning the performance of the company has determines an increase of the role that it has begun to play the account of profits and loss in the structure of the financial statements, the enterprise offering in this manner information presented and recognized in an unitary way regarding the performance.

The concept of result has a very subjective character and this due to the existence of some very different user's category, each one having its own center of interests, and sometimes finding themselves in a conflict of interest's relationship. As well, the existence of some accounting principles accepted shunt in a certain accounting system, as well as in the accounting policies regarding the evaluation determines a relative character of the result.

If we have in view the increase of the importance given to the professional reasoning in the interpretation of an event or of an economic transaction, then the result is characterized more by subjectivism. At this, we add the fact that a series of events and transactions suppose the use of the estimations and of the professional judgments, such as: the estimation of the useful life duration, of the residuary value, different methods of evaluation of the stocks.

- from the point of view of the owners, the result represents the difference between the income and the expenses, including the financial and personnel expenses;
- from the investor's perpesctive, respectively of those that bring the capital, independent of the fact that they are owners or creditors; the result is the difference between the income and the expenses, with the exclusion of the expenses with the interests that become affections of benefits in favor of the creditors. This is the economic result;

- from the point of view of the whole categories of factors that take part in the life of the enterprise, such as owners, creditors, employees, state, the result is the added value, situation in which the tax and the personnel expenses become affections of the benefit.
- in case of the company held integrally by its personnel, the global result of the company is the added value, calculated between income and intermediary results.

Finding some solutions for insurance of the presentation of the information regarding the result, with relevance as big as possible for the financial statements users has been and is one of the interest centers for the specialists in the specialty literature. Thus, a very interesting proposition is that states that for the insurance of a maximum utility of the information regarding the result, it is necessary to find a method that would insure the premises for a correct interpretation.

This implies not only a correct dimensioning but also a relevant classification modality. Comes with the proposition to classify the information presented, at present, in the profit and loss account from the perspective of the management, in two categories: variable and fixed elements, starting from the premises that the investors will be interested that those enterprise for which the management insures a maximization of the profit.

The main advantage of the presentation of the elements by classification in fixed and variable elements is determined by the possibility of determination and analysis of the concept of earning power that can be assimilated to the concept of financial performance, the model allowing also the presentation of a marginal indicator regarding the performance of the management of the enterprise. But, an advantage of this method of classification is that it would be difficult enough to separate correctly the expenses in fixed and variables, so that the information presented should be more relevant and credible.

The profit and loss account in the vision of the European directives

As in the case of the balance sheet, the IV the Directive stipulates schemes mandatory for the presentation of the profit and loss account, existing the possibility of option between these schemes, with the condition of maintaining the chosen scheme. Due to the fact that the space of the European Union has represented and represents the confluence space of two different accounting cultures, such as the French- German, based on the preference of presentation of the revenue and expenses after their economic nature, and the Anglo-Saxon , that classifies the expenses and the revenues on functions of the enterprise, the IV the Directive has left at the latitude of the member states the choice between the two classification of the expenses and the revenue in the profit and loss account.

So, the IV the Directive recommends four models of presentation of the profit and loss account differentiated on one hand after the classification of the elements and on the other hand after the form of presentation .

The major difference between the four formats appears, actually at the classification within the exploitation expenses. Thus, in the format after the nature, the expenses are divided in expenses with the raw materials and the consumable, other external expenses, expenses with the personnel, adjustments of value of the assets fixed and current and other exploitation expenses.

The classification after the destination delimits three categories of expenses: production expenses; Distribution expenses; administration expenses.

Also, as in the case of the balance sheet, there is the request of the presentation of a minimal content, leaving the freedom to present cumulatively certain elements.

The IV the Directive stipulates in the fourth section certain special dispositions concerning the profit and loss account:

- Defining the net turnover, as value resulted from the sales products and the typical services of the normal activity, after the deduction of the commercial reduction, of the added value tax and other taxes connected to the turnover;
- Defining the elements of revenue and extraordinary expenses, like those elements resulted from other activities than the normal activities of the company. If there are significative in the appreciation of the company performances, such elements must be explained, after their type, in the explication notes;

- Accumulation of the values of the revenue tax from the ordinary activities and extraordinary activities in the Profit and loss account, with the condition of explanation in the explanation notes;

The Conceptual frame IASB by IAS 1 Presentations of the financial statements stipulates that as a component of the financial statements, a statement named. The statement of the modifications of the equity ownership, and which must reflect the following elements: period of the profit and loss's ach element of revenue and expense from the period that is directly recognized in the equity ownership and the total of these elements; total of the income and expenses during that period (as a sum of the elements mentioned above) detailing separately the total sums attributed to the shareholders of the society- mother and the minoritary interests; the effect of the changes of the accounting policies and the correction of the errors, according to the IAS 8 Accounting policies, modifications of the accounting estimations and errors, for each component of the capital.

According to the IAS 1 Presentation of the financial statements, the profit and loss account must contain at least the following elements: revenue, finance costs, part of the profit or the afferent loss for the associated entities and the associations in participation, tax expenses, a unique amount containing the total of the profits and losses after taxing from the interrupted activities and of the profits and losses recognized at the just evaluation minus the cost of sale or at the cession of the assets or of the groups that constitute interrupted activities, and the profit or the loss. Also, the profits must be registered separately, respectively the losses that must be associated to the minoritary parties, as well as the earnings, respectively the losses that are attributed to the owners of the capitals of the enterprise- mother. The succession of the posts indicated does not have to be mandatory respected, but the according posts must be registered relevantly for the users of the financial statements.

The profit and loss account in the vision of the Romanian standardizes

This component of the financial statements, the profit and loss account is in the present regalement by the OMFP 1752/2005, modified and completed by the OMEF 2374/2007. This normative document chooses the scheme list, where the elements are classified after the nature, asking for the taking and dividing the elements of exploitation from the content of the explanation notes. The efficiency of one of the other of these presentations has been analyzed in the specialty literature by, who has started from the indicators that can be calculated on the basis of the two schemes: for the classification after nature, the indicator turnover and for the classification after destination, the turnover and the cost of the goods sold.

The conclusions that the author has drawn up were that:

- The presentation after the nature offers information useful for the factors that take part at the creation and distribution of the added value (investors, employees, creditors, etc.) as well as the financial analysts (the financial side of the performance)
- The presentation after destination is destined more to the needs of the management because the costs are reported on functions of the company and associated to the sold production (economic side of the performance)

Another novelty is that they renounce at the notions provisions afferent to the assets and they introduce the notions of value adjustments for assets. An advantage of the presentation of the profit and loss account under the form of a list is that from the informational point of view it facilitates the knowledge of the result after each level of activity. On the other hand, maintaining only one format of presentation of the profit and loss account it reflects a rather fiscal character of the supplied information but also for statistic needs of the state.

The actual order maintains the variations of the stocks in the exploitation revenues, as well as in the IV the Directive. A controversial element as far as the format of the profit and loss account is concerned is that connected to the presentation of the element Variation of the stocks of finished products and production in course of execution as an element component of the revenues. Thus, the Romanian regulations maintain the variant stipulated according to the IV the Directive by placing this element into the category of the exploitation revenue.

The issue is if it is correct to integrate this element in the category of the revenue, taking into account the fact that the cost of production, that is translated by economic benefits consumed and not obtained. In the specialty literature the opinions regarding this aspect are divided.

Our option, for a better quality of the image released by the financial statements, for the integration of this element within the structure of the production costs.

Conclusions

According to IFRS, the profit and loss account is the main financial sheet that reflects the performance of an entity, and detailed information on revenues is essential for the performance analysis. The profit and loss account is actually the main financial sheet that reflects the company's performance, by highlighting how the results were formed, and is the main information source used by those who will predict the future results of the company's activity.

Therefore, we can conclude that the moment when revenues are identified influences significantly the performance of the company; that is why it's very important to choose the right moment when revenues are identified and registered.

The profit and loss account is also very important for those who use the financial-economical information, each of them trying to satisfy own informational needs; the investors and credit institutes can analyze precisely the value of the entity where they are shareholders, and the credit institutes can easily determine how the company refunds its obligations. Therefore, the performance is actually a result and a permanent target for any company, which stimulates the development of excellence strategies and success.

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