

THE IMPORTANCE OF THE QUALITATIVE CHARACTERISTICS OF ACCOUNTING INFORMATION FOR DECISION MAKING . EMPIRICAL STUDY CONDUCTED IN THE HOSPITALITY INDUSTRY IN ROMANIA

Carmen Mihaela Scorțe¹, Briciu Sorin², Rus Luminita^{1,2}

¹Faculty of Economic Sciences, University of Oradea, Romania

²Faculty of Sciences, 1 Decembrie 1918 University, Alba Iulia, Romania

carmen.scorte@yahoo.com

briciusorin@gmail.com

lumi_mar@yahoo.com

Abstract: Hospitality industry is a sector of the national and world economy facing one of the most dynamic developments of the third millennium as if against the fact that it does not only face challenges of the economic crisis, but also the changes in the market, the perception and consumer behavior and of technological trends .

The contribution of accounting to the accomplishment of strategic objectives of the business managers in hospitality and tourism industry, is manifested in the form of ensuring the information necessary for monitoring, determining the degree of liability and the effect, at various jobs, which allows the detection of internal reserves, of uneconomic and unnecessary expenses and of losses.

Convinced of the vital importance of accounting information for all sectors of activity, and hence the hospitality and tourism industry, but also motivated by the unexplored potential in this sector we wanted to find "live" the perception of Romanian hospitality industry managers on the usefulness of accounting information, especially of that provided by management accounting, and how to exploit it in decision making process.

Therefore, we pondered it was time to get into the "natural environment" of managers in the hospitality industry and find "at home in the field", for we can say that work is a second home, which is the importance given to the accounting information, which management accounting practices apply to survive in a market that offers many opportunities, yet many challenges, too.

The entry into the natural environment was made by empirical research and is based on a survey conducted between November 2012 and January 2013, using a questionnaire as a tool consisting of 38 questions, administered online and on location to managers in the Bihor hospitality industry. The total population consisted of 146 entities in this sector, the sample being made up of 91 tourism entities, with a response rate of 62.33%, due to movements in the field.

Keywords: accounting information, qualitative characteristics, managers, hospitality industry

JEL classification: M 41

Introduction: The beginning of the third millennium is dominated by the production and possession of a fundamental resource: INFORMATION (Horomnea 2008:148)

The economic and financial power of economic entities, regardless of the sector, lies in their ability to use and control any information to achieve the objectives. The world competition is currently ongoing in the realm of best use of knowledge, information and new communications technologies (Briciu et al, 2003:29).

Information can be defined, in the broadest sense, as "what is communicated" and "what is communicated" refers to people, objects, place, or time, or different relationships with the external environment.

According to the Dicționarul explicativ al limbii române (Explanatory Dictionary of the Romanian Language, n.t.), information is communication, news, news that informs

someone of a situation; all information and documentary material; each of the new elements, in relation to prior knowledge contained in the meaning of a symbol or group of symbols (written text, spoken message) (DEX 1998, p 491)

According to Business Dictionary, information is relevant because of these qualities, these being the following: it has been checked and provided on time, it is specific to an end, it is presented in a context that gives meaning and relevance, it results in increased process of understanding and decreasing uncertainty. The value of information lies exclusively in its ability to affect a behavior, a decision or a result.

In the literature the research summarizes the information as such: information as a material object; information as a mental object; information as an abstract entity (is neither material nor mental, it is simply there) (Vreeken, A., 2002).

The information has made and still is the subject of several investigations and the perception varies according to the authors: it is the result of thought, (Belkin 1978), character data or significant data (Mingers in 2003), information is knowledge, communication (Callaos and Callaos 2011, Floridi 2012).

Our opinion is that the information is once processed and interpreted with great "art" by a certified person, a message that produces an elucidation in a problem with a certain degree of uncertainty. We believe that information is ultimately the result of human labor, the result of teamwork of specialists in various fields, therefore it must be a mental object.

The term information is used in many areas, but as far as we are concerned, we will focus on accounting information and the impact that it produces on managerial decisions in the hospitality industry.

Eager to find out the answer to some questions in relation to managers' perception about the importance of the information provided by accounting, we have started an exploratory empirical research which presents and analyzes the human behavior on this issue and is based on a questionnaire applied to managers in the hospitality industry. For this step, out of the 230 establishments of tourist entities with functions of accommodation facilities, authorized to operate according to the regulations published on the ministry's website <http://www.mdr.ro/ro/turism/unitati-clasificate>, there were selected 146 economic entities which were legally constituted as stock companies and limited liability companies. We have removed from our research a number of 84 economic entities which were created as individual enterprise, individuals, family business.

As I stated, the working instrument used was a questionnaire containing 38 questions closed and semi-closed divided into four parts as follows: Part I and Part IV contains questions covering general questions regarding the economic entity and the personal profile of managers, Part II aspects of the importance of accounting information and Part III aspects of the organization of managerial accounting and of the cost management with questions regarding the perception of managers in this sector regarding the usefulness of accounting information, the qualitative characteristics of accounting information, the existence and organization of management accounting information system, perception of performance in this sector in the view of managers, capitalizing such information for decision making and good management of available capacities.

Descriptive analysis of responses

The general questions of the questionnaire focused, on the one hand, on the aspects that shape the identity of respondents, and on the other hand, on the characteristics of the surveyed entities.

We begin by describing the sampled companies.

The general aspects highlighted by the questions from Part I of the questionnaire concerned the distribution of the entities included in the sample regarding the classification

and category in which they were allowed to operate, the turnover, the value of total assets, the number of the employees.

Of those who were open to our study, a number of 35 managers were from rural and urban touristic guesthouses and 56 managers from the economic entities with functions of authorized accommodation as hotel complexes, hotels, hostels, minihotel, mansions, tourist cottages. With respect to entities in the sample class situation is as follows: the percentage of 4-star accommodation in total is 13.18%. Of these, half are hotels and one third are hotel complexes. Most pensions are classified as having 3 stars (51.4%), 4 entities with 2 daisies, 5 with 2 or 3 stars, but there are one among them with 4 stars.

Regarding the size of turnover, 54.9% of the entities have a turnover between 35,000 and 7.3 million Euro, 37.4% have a turnover less than 35,000 Euro and 5.5% of the entities have a turnover bigger than 7,300,000 Euro. A percentage of 2.2% of the managers surveyed considered that the answers to these questions are confidential, so they did not answer.

Note that in accordance with the current regulations the classification of the entities by criteria of size have other thresholds limit: micro-entities total active 350,000 EUR, 700,000 EUR turnover, number of employees 10; small entities are those that do not fall into the category of micro-entities and at the date of closing of the fiscal year do not exceed 2 of the 3 size criteria; medium and large entities are those which at the date of closing of the fiscal year exceed the limit of at least two of the three size criteria: assets worth 4,000,000 Euro, net turnover of 8,000,000 Euro, average number of employees 50; total assets

Regarding the number of employees 41 entities had less than 10 employees, 30 between 10 and 49 employees, eight had between 50 and 99 employees, 10 entities said they have a number of employees between 100 and 249, and two economic entities claimed over 250 employees.

The accounting information – a source of information for the managerial process in hospitality industry

A unique character of the information circulating in an economic entity is held by economic information which are the main sources used in the management process, allowing the critical examination of the way in which material, human and natural resources are used in order to make the decisions required (Pop A., 2002, p 13).

Any information appears and is used in the economic entities in the management or operational activities and its movement is two-way, between these two levels. Thus, the suppliers and the consumers of information in an entity can be positioned at the level of decision or at the level of information.

At the macroeconomic level, more economic information means more economic power and at the microeconomic level, of an entity, more information can be translated into:

- knowing the directions of technology development, but also new techniques that can be applied immediately,
- signaling of new market segments or the identification of the best segments for investment,
- knowledge of the evolution of employment in general and, particularly, its personnel needs,
- lower production costs and lower distribution etc. (Bătrâncea et al, 2010, p 43).

Despite the fact that it is vital for the management of the business, the accounting can not substitute the management team, but provide it with essential information in decision-making process, so that the accounting information is not only "raw material" ,

indispensable in management , but also constitutes the "thread link "between the two processes (Briciu 2006, p 12).

From the perspective of users what information is useful? or How we appreciate the quality of accounting information? The usefulness of information is intended to increase the knowledge of the user, to reduce in this way its uncertainties and help in decision making.

The Romanian legislation by Order 3055/2009 specify the quality characteristics or the attributes that determine the usefulness of the information provided by the financial statements, attributes that we believe that can be extrapolated to all economic information. The four principal qualitative characteristics are intelligibility, relevance, reliability and comparability.

Intelligibility. This qualitative characteristic means feature in understanding the information presented. The users receive information for decision making process, and their expectation is that this information to reduce their uncertainty. But are there "convergence" between the content of information transmitted and the way of its interpretation by the recipient (user)? It is not insignificant the presentation of information, because sometimes the quality of accounting information is influenced by the manufacturer. It is he who decodes the reality and it recreates through the accounting language. (Minu 2002, p.138)

Relevance. To be useful, the information must be relevant for decision making by users. The relevance of the information will be appreciated on its ability to allow users to evaluate the events in the past, present, and future by facilitating their process of making decision and their work is influenced by its nature and the significance threshold (Danescu 2007, p 53).

Credibility (reliability). To be useful, the information must be credible. The information is reliable when it does not contain significant errors, it is not biased, and users can have confidence that it is correct what they have proposed to represent or what they expect, in reasonably way to represent.

Comparability requires that financial information to be comparable across time and space to identify trends in the financial position and performance of the economic entity. So, the comparability appeal to consistency in presentation of the events, of the accounting policies used within an economic entity and over time for that entity and in a consistent way for different entities.

Currently through OMPF 1802/2014 the fundamental qualitative characteristics are the relevance and the exact representation, but the utility of the financial information is enhanced if you apply the additional four qualitative characteristics namely comparability, verifiability, expediency and intelligibility. For a representation to be accurate, a description must be complete, neutral and without errors.

A description is complete if it includes all the information necessary for the user to understand the phenomenon described, including the necessary explanations. A neutral description is the one that does not support influences in the selection and the presentation of the financial information. The neutral information does not means information without purpose or no influence on their comportment. The relevant financial information is, by definition, those who have the ability to generate a difference in the decisions made by users.

The representation without error means that there are no errors or omissions in the description of events, and the process used to generate the reported information has been selected and applied without error.

As we have already said not all the economic information supplied and circulating in an entity is useful in the operational or decision-making process. The management team is forced, in many cases, to refine the information to make it useful. Not infrequently, at the decision making process level, there is too much data and too little information. The question is to identify those characteristics that make information useful. It should be

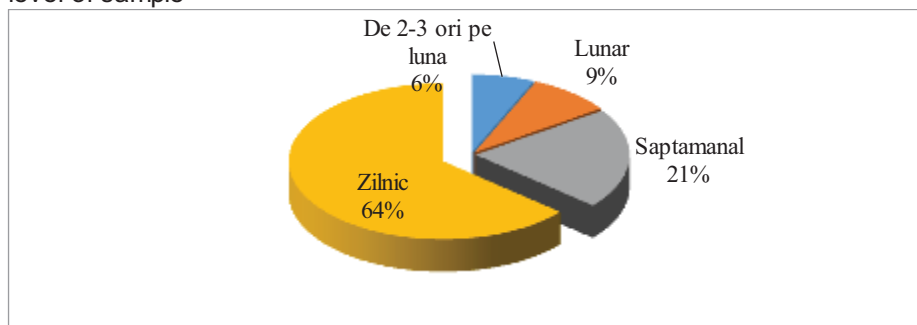
consistent, that is sufficiently comprehensive to provide as much knowledge as possible necessary in the management activity; *relevant*, that is to provide the knowledge missing in the decision making process; *accurate*, that is its contents reflect the real situation of the economic phenomenon or process, a feature also called informational accuracy; *complete and sufficient*, that is it should come from a source close to the entity or to the phenomenon and possibly to cover the desired area of the decision maker; *appropriate and accessible*, that is to come at the right time for the decision making process, and to be used when needed, in a most efficient way (the presentation of information is of particular importance); *concise*, that is to have the level of aggregation necessary in the decision-making process.

Therefore, in decision making process a particular attention should be given to the qualitative aspects and, equally, to the quantitative aspects aiming at "measuring" information.

Testing of the research hypothesis

To cope with the competitive environment and with the changes in hospitality industry, it is important for managers to implement an information system at the level of entity, a system that would relieve and facilitate the process of making decisions. The importance granted to financial and accounting information is reflected also by the frequency that managers are turning to such information.

Figure 1. The frequency with which the managers use the accounting information at the level of sample



Source: own elaboration based on the responses from questionnaires

So 64% of the managers from our sample are stating that they use daily the accounting information, 21% use this information weekly, yet there is a large percentage that appeals to this information only monthly.

To view the extent to which managers in the hospitality industry give importance to the qualitative characteristics of the information provided by accounting, especially for the managerial accounting, in the questionnaire it was introduced a question to make reference to these aspects (*How do you evaluate the importance of the following quality characteristics of the information provided by the managerial accounting?*) and also we wanted the identification and the evaluation of the connection that exists between the importance given to these characteristics and the frequency with which a cost calculation is made.

Thus it was formulated the following hypothesis:

Hypothesis H1: Among the qualitative characteristics of information provided by management accounting and the cost calculation frequency a link can be identified.

The questions on which we test the validity of this research hypothesis are II.3. and III.5. These are:

II. 3. How do you assess the importance of the following qualitative characteristics of information provided by management accounting?

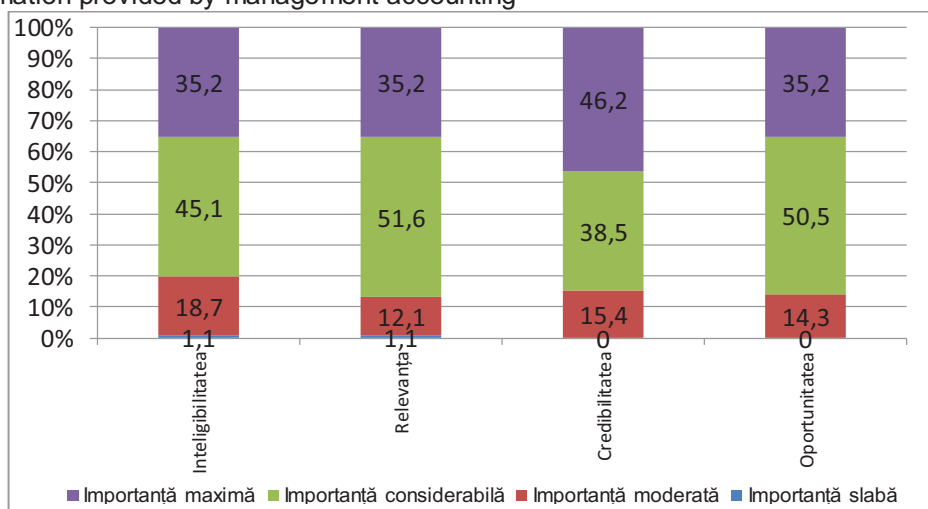
- Intelligibility - Relevance
- Credibility - Opportunity

III.5. What is the cost calculation frequency?

- Monthly Twice a month
- Quarterly Every semester
- The introduction of a new product in the offer
- The introduction of a travel package
- When there is a specific problem

For the beginning, we will analyze the distribution of responses of the managers in the sample, for each of the two questions.

Figure 2. Opinion of managers about the importance of qualitative characteristics of information provided by management accounting



Source: authors' processing based on the responses to the questionnaires

Regarding the importance of the qualitative characteristics of information provided by management accounting, the most appreciated is credibility, 46.2% of the managers believe that it is of utmost importance. The less appreciated is intelligibility – a percentage of 18.7% of the managers believing that this feature is of moderate importance.

The opinion of managers about the importance of qualitative characteristics of information provided by management accounting category was considered separately, on categories. To use this information, we gave scores of importance to each answer in part, associating 1 point to managers who consider the characteristics of low importance up to 5 points to those who consider the characteristics of the utmost importance. We then determined the average scores for each manager individually and we distributed these scores by frequency of performing cost calculation.

As regarding the latter, given the objective of our research, we decided to grant some scores of importance as following:

- 3 points for those managers who use cost calculation often enough and when appropriate – therefore for those who have chosen at least one response option to

the introduction of a new product in the offer, or a package holiday, or when there a specific problem

- 1 point for those managers who use monthly cost calculation
- 0 points for those who chose the quarterly or every semester response options

The same perspective of the frequency measurement of costs is found in the literature, this issue being addressed by several authors (Hilton, 1979; Chenhall and Morris 1986; Simons, 1987). They found that the more frequent measurement and reporting of costs gives managers feedback on recent events, problem solving, and opportunities to improve aspects that should be considered for future actions grounding. Also, it should not be neglected one of the qualitative characteristics of information provided by management accounting, namely the opportunity. In our view, the high frequency of cost calculation, especially "when there is a specific problem" gives the managers confidence that they can respond promptly to problems that arise.

Table of the distribution between the scores to the two questions is presented below:

Table 1. Distribution of average scores on the managers' opinion on the importance of qualitative characteristics of information provided by management accounting in relation to the cost calculation frequency

		Cost frequency calculation			Total
		0	1	3	
<i>Distribution of average scores on the managers' opinion on the importance some qualitative characteristics of information provided by management accounting</i>	3	0	2	4	6
	3.5	0	1	3	4
	3.75	2	1	12	15
	4	0	5	16	21
	4.25	0	1	8	9
	4.5	2	2	7	11
	4.75	1	0	4	5
	5	2	0	18	20
Total		7	12	72	91

Source: authors' processing based on the responses to the questionnaires

The validation of the hypothesis will be carried out with Pearson's correlation coefficient. Its value is generally between -1 and 1, its sign indicating the meaning of the link, and the distance from 0, the intensity thereof. In our case, we determined the value of this coefficient using SPSS v. 20, being 0.059. As shown in Table 4.38., for a significance level of 5%, the value is not significantly different from 0, which denies the existence of any link between the two variables at both the sample and the total population level.

Table 2. Pearson's correlation coefficient between the distribution of average scores on managers' opinion on the importance of qualitative characteristics of information provided by management accounting and cost calculation frequency

		<i>Distribution of average scores on managers' opinion on the importance of qualitative characteristics of information provided by management accounting and cost calculation frequency</i>	<i>Cost calculation frequency</i>
<i>Distribution of average scores on managers' opinion on the importance of qualitative characteristics of information provided by management accounting and cost calculation frequency</i>	Pearson Correlation	1.000	0.059
	Sig. (2-tailed)	-	0.581
	N	91	91
<i>Frecvența calculației costurilor</i>	Pearson Correlation	0.059	1.000
	Sig. (2-tailed)	0.581	-
	N	91	91

Source: authors' processing based on the responses to the questionnaires

Conclusion:

The research hypothesis H1: Between the qualitative characteristics of information provided by management accounting and the cost calculation frequency there can be identified a link - not validated, either at the sample level or at the total population sample .

If the surveyed managers considered of the utmost and considerable importance all four qualitative characteristics of the accounting information (Intelligibility 80.3%, Relevance 86.8%, Credibility 84.7%, Opportunity 85.7%), we wanted to find out, from the perspective of managers, which are the factors that may affect the quality of the accounting information. So, we considered appropriate to introduce in the questionnaire the following question: What are, in your opinion, the factors that may affect the quality of the accounting information provided by the management accounting? The managers could choose one or more of the following factors: the dynamic of the accounting regulations, the opinions in applying the principles of accounting, the lack of a system of cost calculation and the subjectivity of the accountants.

The managers of the most entities in our sample (46.2%) consider that the most important factor that can affect the quality of the accounting information provided by the management accounting is the lack of a cost calculation system, in the second place with a percentage of 41.8% are the errors in the application of the accounting principles and the least count the dynamics of the accounting regulations by 4.4%.

The results

□ 62.63% of the surveyed managers believe that the information provided by the financial accounting are very useful in the process of making decision, and regarding the managerial accounting, the percentage of those who said that this provides useful information to substantiate the decision-making process was 65.93% ;

□ 64% of the managers say that they use accounting information daily, 21% are using this information weekly, the opposite is a percentage of 6% of managers which are using the accounting information monthly only.

□ Between the qualitative characteristics of the information provided by the management accounting and the frequency with which a cost calculation is made, a connection cannot be identified, neither at the sample level, nor in the total population

We believe that this research adds value to domestic investigations on accounting issues in the hospitality industry, although we are aware that has its limitations (the questionnaire used only in one county, using a questionnaire with a large number of questions) . We will continue our efforts to investigate other aspects and features regarding on how to exploit accounting information in the hospitality industry, our intention being to extend the research to the entities listed in this economic sector.

“ACKNOWLEDGMENT

This paper has been financially supported within the project entitled „**SOCERT. Knowledge society, dynamism through research**”, contract number POSDRU/159/1.5/S/132406. This project is co-financed by European Social Fund through Sectoral Operational Programme for Human Resources Development 2007-2013. **Investing in people!**”

Bibliography:

- Arjan Vreeken, Notion of information: A reviews of literature, in Working Papers on Information Systems ISSN 1535-6078, disponibil on line, <http://sprouts.aisnet.org/153/1/2002-13.pdf>, accesat la 05.06.2011
- Belkin N.J., (1978), *Information Concepts For Information Science*, Journal Of Documentation, Vol. 34 Iss: 1, Pp.55 – 85
- Briciu S. si alții (2003), *Managementul prin costuri*, Editura Risoprint, Cluj Napoca;
- Briciu S., *Contabilitate managerială Aspecte teoretice și practice*, Editura Economică, Bucuresti, 2006, p 12
- Callaos and Callaos (2002) *Toward a Systemic Notion of Information: Practical Consequences*, Informing Science, vol 5, nr 1
- Callaos N. and Callaos B., (2011), *Toward a Systemic Notion of Information: Practical Consequences*, disponibil on line la <http://www.iiis.org/nagib-callaos/the-notion-of-information/Toward%20a%20Systemic%20Notion%20of%20Information%20-%20Practical%20Consequences%20-%20VF%2009-11-11.pdf>, accesat la 04.04.2013
- Chenhall, R. H. & Morris, D. (1986) „*The impact of structure, environment, and interdependence on the perceived usefulness of management accounting systems*”, *The Accounting Review*, Vol.61: pp 16–35
- Dănescu T., *Audit financiar: convergență între teorie și practică*, Editura Irecson, București, 2007, p. 53
- Dicționarul Explicativ al Limbii Române, Editura Univers Enciclopedic, București, 1998;
- Floridi L. (2012), *Semantic information and the network theory of account*, , *Synthese*, vol 184, Issue 3, pp 431-454
- Hilton, R. (1979), *The determinants of cost information value: An illustrative analysis*, *Journal of Accounting Research*, vol.17: 411–435
- Horomnea E., (2008) *Decizii și modele de calcul contabil diagrafic*, Teză de doctorat, Iași, 1991, Preluat din Emil Horomnea, *Fundamentele științifice ale contabilității*, Editura Tipo Moldova, Iași;
- <http://www.businessdictionary.com/definition/information.html>
- Ioan Bătrâncea și c.a., *Standing Financiar*, Editura Risoprint, Cluj Napoca, 2010;

Mingers, J. (2003). *The paucity of multimethod research: a review of the information systems literature*. Information Systems Journal 13:233-249.

OMFP 344055/2009 pentru aprobarea reglementărilor contabile conforme cu directivele europene, publicat în MO 766 bis din 10 noiembrie 2009

Simons, R. (1987) *Accounting control system and business strategy: An empirical analysis*, Accounting, Organizations, and Society, vol. 12 : pp 357– 374