



## PRAGMATISM OF THE ACCOUNT INFORMATION, UNDER APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

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**Abstract** *The evolution of Accounting during the transition to a market economy has demonstrated the existence of a special methodology of gathering, processing and providing information related to modern Accounting, based on specific informational system. Accounting may offer a model, as a means of expressing financial records and its economic activities.*

**Key words:**  
*accounting,  
standards, audit,  
financial records*

**JEL Codes:**

**M41  
M42**

### 1. UTILITY OF THE INFORMATION FROM THE ANNUAL FINANCIAL STATEMENTS

Accounting remains the main provider of economic information necessary for managers to short-term decisions. It is designed currently as an internal tool in making decisions and in achieving management control. Role in addition to providing real and reliable information on whether the property, it is the financial audit. This information is useful not only managers but also other categories of users.

If the information produced by accounting, particularly those based decisions can not be disclosed because it is the company's strategy, the audit report provided by may be published. Information provided to be useful, must first be accurate, and timely, do not require high costs for collection and, in particular, to be current. In terms of accuracy, determine the quality of decision information. Incorrect information may lead to loss-making decisions for the enterprise. **Thus, accuracy of accounting information is feasible but with higher costs.**

**Accuracy** of information is understood both in terms of calculation itself and in terms of actual

coverage of all cost items, the causes that generated them and the responsibility for these.

**Timeliness** of information, characterized by promptness is transmitted, the quality of decision is crucial since a belatedly received information loses value and is equivalent to manager a total lack of information.

**News** information, depends on the promptness with which it is collected, processed and transmitted.

The three characteristics of information, where information can be found and released by a financial audit. Thus, the information is essential for financial audit because, based on the audit report are forecasts or future acquisitions and may lead to an incorrect date and the bankruptcy of a company. If information is appropriate to say that a financial audit report based on statements made earlier, there is no relevance to meet the objective "true picture".

Current market economy system, is characterized by a high level of technicality, modernization and upgrading in accordance with market demands immediate, is due to rapid obsolescence. The amazing speed of processing requires all sectors and industries to Western

standards align to succeed and be profitable in step with social progress.

A rigorous accounting system, will reveal changes that may be made to the accounting database in order to reflect the transition from a centralized economy to a market economy, a process currently under way in Romania. The accounting system is designed to provide third parties the information that he produces are able to meet the needs of their end users.

Current and potential investors need information to help decide on the one hand, whether to buy, keep or sell their shares in an entity asset and, secondly, in relation to that company the ability to pay them dividends. They are useful information for establishing the rate of return possible in the next period, so as to make comparisons in terms of existing opportunities at a time on the market and investment risks.

Managers need information units, which enable them to conduct business in a profitable manner. They require access to additional information that would help in better asset management entity. Tax authorities requires that financial statements are prepared so that the taxable profits of the company can be properly determined.

Tax financial statements are prepared using a system of precise rules provided by laws in force accounting and pilot companies based reasoning system based on professional, by the provisions of the Framework and International Accounting Standards.

Employees have brought attention to accounting, where they are interested in items relating to the size of profits, the distribution thereof, and growth prospects in terms of salaries and establishment of various benefits and personal opportunities available to them.

Providers are concerned about the degree to which the debtor unit will meet its obligations and at the same time, their interest on its future business volume, which can significantly influence the volume and value of orders unobtainable.

Customers are interested in the company's ability to continue their work, they require a range of information, enabling them to estimate the prospects of business partners so that in the event of major changes that might occur, appropriate reactions able , leading to their protection activities.

Lenders are a category of donors, including a significant share of banking units have.

Banks are anxious especially when pre-credit analyst, the capacity for repayment of loans to be granted, the degree of liquidity of the customer and its ability to profit in the period ahead.

Other external users are represented by groups or individuals who were not included in the categories listed, such as, for example, competitors, consumers, etc..

Depending on user requirements, the manager decides in what context will attempt to provide the information required, given that information to be provided are those prescribed by law or regulation, but on the other hand, there may be information sought by users are not included in financial statements and the company can provide. Can there another category of information called "sensitive", which the company does not want to make them public because they can significantly influence the market.

Another factor in choosing the information that is provided, the cost of collecting information, which in some cases, benefits may be more important than communication.

The database has a flexibility that allows all users needs, without double accounting records. To increase business competitiveness, it must rise in "top of the best companies", in which are highlighted national elements of profitability, turnover, which is a prerequisite for future partnerships.

In a market economy based on continually increasing the quality and level of information, "information is power."

The large number and variety of transactions undertaken in a market economy, the vast majority of large companies, shows that these benefits need speed data processing by computer.

## 2. QUALITATIVE TYPES OF DATA DERIVED FROM FINANCIAL STATEMENTS

Whatever the system chosen, or the computer at hand, he easily makes a reference to primary documents, any underlying transaction (eg invoice number).

Processing system mainly to record economic information, have the capacity to generate evidence of financial audit work necessary part of the financial auditor.

We can say that the financial auditor prefers a computerized data collection system, because it is easier to test the accuracy of the database. For example, in accounting for leases, according to International Accounting Standards, it must be net reveals they were registered or leased the assets held under leases, which would be very difficult if use of manual records, especially from a company whose main line of business leases.

Thus, auditors, the position of independence and impartiality that lies have a significant role in ensuring the quality of financial statements information released, bringing it greater credibility. From this perspective, the financial audit is designed to equally protect all users of accounting information.

Although financial audit does not provide an absolute guarantee, remains the most likely risk management information and thus to obtain high quality information, useful for different users decisions.

Financial Auditor role is to increase user confidence that the accounting information was obtained, processed and analyzed in accordance with international accounting standards and auditing and financial statements present all (or reserves) reflects the economic reality on financial audit.

### 3. SPECIFICITIES, IN TERMS OF QUALITY OF FINANCIAL STATEMENTS CONDUCTED IN ACCORDANCE WITH THE INTERNATIONAL ACCOUNTING STANDARDS

Under the general framework of the International Accounting Standards Committee, information is significant because their omission or erroneous declaration may influence the economic decisions of users, decisions on financial statements.

Qualitative characteristics are characteristics that determine the usefulness of data derived from financial statements and are classified into four categories: understandability, relevance, reliability and comparability.

**Intelligibility** of information provided, is an essential quality for users, because it involves the ease with which can be understood and applied these data, but assuming that beneficiaries have

sufficient knowledge of financial, accounting or even economically.

**Relevance** of information, is that influence economic decisions of users, helping them to assess events, confirming or correcting their past evaluations. Under the new rules, an auditor formulates an opinion on whether financial statements prepared by the company really reflects a true and fair view, carefully choosing the level of materiality.

Within each of its mission, financial auditor shall ensure that all issues may be important and may affect the audit opinion were fully taken into account. Thus, the audit procedures used are designed to provide reasonable assurance of detecting all important aspects of the problem. Relevant information is influenced by nature and materiality. Materiality is largely subjective, but his determination, the financial auditor's reasoning makes use of his professional

Auditor is concerned to properly quantify the materiality level for two reasons:

- To decide on the level of materiality used during the procedure for collecting audit evidence. Audit scope and purpose of the tests are mainly related to materiality;
- To decide on the "materiality level of opinion";
- Materiality is an expression of meaning or relative importance of an issue in the context of financial statements. An issue or value is considered significant if its omission would affect obviously, decisions of users of financial statements.

**Credibility** is the quality of information we ensure that it does not contain significant errors, is neutral and trustworthy. Credibility of information based on the following defining characteristics: fair representation - information to be reliable, economic transactions and events reflect exactly;

- Prevalence of economics on the judiciary - the vast majority of transactions counting process reflects the economic substance of transactions, not just their legal form. To take into account the prevalence of a transaction, look at all aspects and implications, with emphasis on those which may have a commercial effect in practice,
- Neutrality - the information contained in financial statements to be credible and

timely in making correct decisions, it is necessary that it should not be influenced by anything

- Prudence - professionals who prepare financial statements have various uncertainties in the presentation of economic issues, but are always careful in using professional judgments so that their estimates are not contrary to the principle of prudence. Allows accounting records to assets of real value, or as close to reality through prudent valuation of assets and liabilities
- Completeness - not to be invalid, the information required to be complete, without omitting significant issues, within reasonable limits of materiality chosen correctly.

**Comparability** - The financial statements presented are compared in time and space, so users could make a relevant opinion on the financial position of the enterprise market and its expected performance. Therefore, disclosure of the accounting records, indicators and accounting policies, and consistency is achieved in case of changing some of the techniques used, they will be presented in such a way that it can pair with the techniques used in previous periods .

#### 4. ACCOUNTING FRAMEWORK IN ACCORDANCE WITH INTERNATIONAL ACCOUNTING STANDARDS WHICH DEFINE THE LIMITS OF ACCOUNTING INFORMATION IS RELEVANT AND RELIABLE BY:

- Opportunity - refers to the timely submission of economic data, because a delay in reporting can lead to loss of information relevant effects;
- Cost-benefit - is a limit as coercive rather than qualitative, this ratio is optimal when we refer to relevant information. If information is to obtain a price higher than the benefit of its use when it has no capacity to be relevant;
- Balance between qualitative characteristics - the specialty practice can not be rigorously quantify this balance is a problem because professional reasoning, resulting in financial statements, which

belongs to both producers and users of information. Reflects the information in the financial statements, is a concept of British origin, took over and defined by EU Directives. In the Romanian accounting, this new concept was introduced by the Accounting Act, under which, the official document of the management of economic units is the "balance sheet, which gives an accurate picture, clear and complete assets, financial position and performance".

#### 5. CONCLUSION

In conclusion we can say that Romania's current accounting rules require financial statements to be made so that they reflect a true and fair view of heritage. This is possible if professional accountants and management unit uses professional reasoning. An important part of professional reasoning is related to the accurate determination of materiality for the purposes detailed presentation of financial statements (either primary or statements in the explanatory notes annexed to the balance sheet) of significant items. This is very important and is given special attention since, including detailed accounts of insignificant items could create confusion in their interpretation or analysis would hinder them. It is widely agreed that the use of judgment, not carried out with a universally valid model whose application to provide a financial audit with guaranteed positive results.

Such a goal is achieved through the rigorous pursuit through a deep understanding of the economic environment, social and institutional entities audited by resorting to specific professional standards and adherence to a code of professional ethics.

Financial auditor is a difficult approach even with meeting all these elements.

In conclusion, we believe that the opinion made by an auditor improves the quality of the information contained in financial statements and is the most efficient manner in which it appears that financial statements do not present significant deviations, thus meeting the interests of both parties.

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