



FINANCIAL ACCOUNTING INFORMATION SYSTEM – PREMISE OF MANAGERIAL ACT

Victor MUNTEANU¹, Mihaela Cornelia BERECHET (DRAGNEA)², Laura Maria SCARLAT (LAZĂR)³

¹ Christian University "Dimitrie Cantemir" Bucharest, e-mail: a2c_vm@yahoo.com

² „Valahia” University Târgoviște, e-mail: berechetmihaela@yahoo.com

³ „Valahia” University Târgoviște, e-mail: laura.lazar76@yahoo.com

Abstract *Economic globalization has led lately to an increase in the complexity of the economy, with major impact on the growth of needs related to the area, content, promptness and quality of information of an economic nature in general and focusing on financial and accounting information in particular.*

Moreover current economic phenomena identified in a highly competitive economy characterized by risk and uncertainty triggered the informational revolution on economic entities both in terms of their functionality and in terms of performance, giving a new dimension to the management information system and hence the financial accounting information system.

Financial accounting information supports the management of any economic entity in substantiating management decisions so that they are characterized by opportunity and utility leading the entity towards performance.

Key words:

managerial decision,
entity, information,
performance, financial
accounting information
system

JEL Codes:

M41, M42

1. Introduction

Starting from the idea that around the financial accounting information system gravitates the managerial act held in any economic entity, the issues addressed in this paper focuses on identifying new valences of financial accounting information in the decision making process.

Creating and valorizing the financial accounting information system is a consequence of the accelerated development of competitive economy 'economy based on knowledge'¹ granting new roles, functions and sizes to the financial information forcing to scientific approaches based on the knowledge of reality and of the 'causal links between economic phenomena and financial situation'² of the economic entity.

2. Materials and methods

Epistemological positioning of the present work related to the basic definition of epistemology as 'part of gnoseology which studies the process of knowledge within various sciences; theory of scientific knowledge'³ is circumscribed to descriptive and interpretative type approaches.

Descriptive approach as a 'process or phenomenon, based on complex methodological tools aimed to integrate at the level of empirical research a large range of observation, analysis and systematic knowledge of the researched subject'⁴ was based on

the collection and selection by quantitative and qualitative methods of data and information of economic and financial area, the results of which resulted in personal judgments, opinions and conclusions on the phenomena studied.

The bibliographic study specific to the approached area, but also to the practical expertise acquired are fundamental in the development of this paper, in this context the approach being of interpretative type, I made it from the perspective of treating phenomena and processes developed within an economic entity in the theoretical and methodological context identified in the selective bibliography and it allows 'a deepening of knowledge culture and practices that define the context of observed reality'⁵ in order to realistically identify their meanings.

The study method of this scientific work forms a segment of a large scientific research, through which I aimed to identify the qualitative attributes of the economic phenomena and of decision-making processes and also the connections between them.

2.1. Information, condition of the existence of the informational financial accounting system

Financial accounting information from the perspective of the role and its attributes is treated separately, as follows:

- In terms of adopting managerial decisions

regarding the use of resources of the economic entity is useful specifically for preparing cash flows on types of activities, namely, operating activities, investing and financing. The utility of cash flows of the economic entity consists of adopting managerial decisions by making *'available to users of financial statements a base to evaluate the entity's ability to generate cash and cash equivalents, and its needs to utilize those cash flows'*⁶

- Cash flow of the economic entity, acting as a self-financing margin, calculated as the difference between incoming cash flow, and outgoing cash flow of the entity;

- In terms of materializing of financial information into indicators, absolutely useful both in financial activity and in the one of analysis and managerial decision. In this context, based on financial information, the entity builds a system of indicators, leverage in the design and functioning of the decisional microeconomic and macroeconomic act.

In the present approach of the financial information, the financial process of the economic entity develops in relation to the parameters of performance indicators foreseen and accomplished.

Financial accounting information system addresses internal and external users, beneficiaries of financial and accounting information, answering their main needs as shown below:

- Internal (shareholders, managers, employees):
 - ✓ reflect the economic entity's growth rate in relation to other entities in the area with similar scope of activity;
 - ✓ presentation of the profitability of the economic entity accompanied by the presentation of results obtained in relation to the resources used; comparing the results of the entity with the resources used or the capital allocated, allows calculating the economic and financial profitability;
 - ✓ presentation of the financial structure of the economic entity and its financial balance obtained by reporting capital masses to the accepted financial support;
 - ✓ presentation of the risks associated with financial activity while facilitating identification of vulnerabilities and of the risk of bankruptcy.
- External (banks, providers, investors):
 - ✓ for granting bank loans, banks are interested in solvency/liquidity of the economic entity;
 - ✓ for granting long-term loans, the lender assesses both financial balance and forecast funding program;
 - ✓ loans from other economic entities are

granted based on the analysis of short-term financial balance and liquidity;

- ✓ Economic profitability and evolution trends of the entity are elements used when it is intended that the economic entity be placed on the stock exchange.

Financial accounting information system of the economic entity has as material basis the synthesis documents of accounting and allows identification of interdependency relations between economic phenomena and substantiating financial decision.

2.2. Financial information system and its role within the economic entity

2.2.1. Theoretical perspectives on the financial information system

The specialized literature defines the information system of the economic entity as being *'the assembly of flows and informational circuits organized in an unitary conception using methods, procedures, human and material resources for selecting, recording, working and storing and/or transmitting data and information'*⁷

Extrapolating from the approach of the financial informational system in its assembly, we talk about the financial information system as being the assembly of all financial information of the flows and informational circuits of financial nature as well as of the procedures and means of working and processing the financial information collated in a set of indicators of the management analysis and being the base of the decisional process.

Thus we can note that the financial accounting information system of the economic entity contributes directly to:

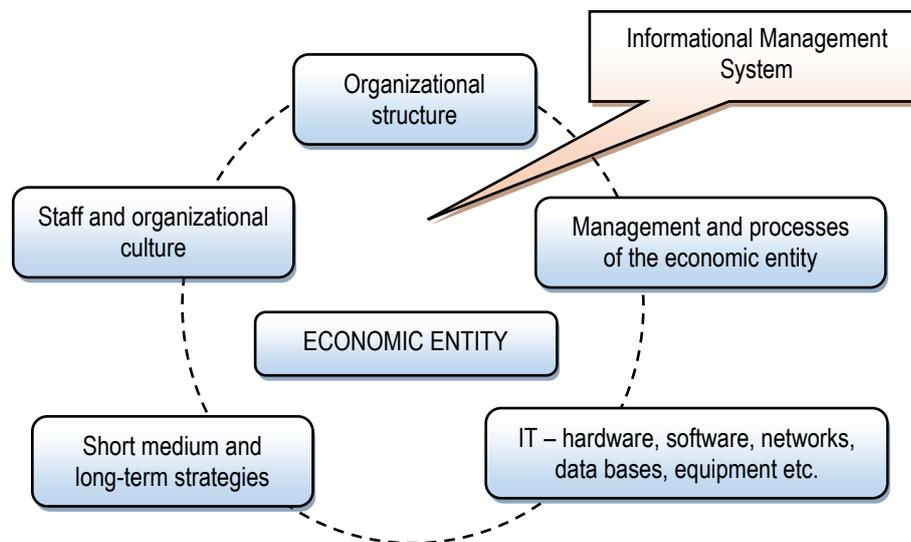
- measuring performances of the economic entity;
- developing financial processes;
- developing economic processes;
- evaluating self-financing capacity;
- evaluating the capacity of generating cash and cash equivalents.

2.2.2. Components of the financial accounting information system

The financial accounting information system existing at the level of any economic entity is integrant part of its information management system.

The economic entity functions and *'lives'* through the existence of five key components (Figure no. 1) which act interdependently and keep themselves in balance as long as in their environment it does not produce major changes made by disturbing factors which can be both internal and external and which can produce disturbances on the entity's components as well as on the entity as a whole.

Figure no. 1.
 Key elements of the economic entity



Source: Own design

Keeping in mind the positioning of the information management system in relation to the systematized structure of the economic entity as above illustrated, we shall identify and describe below the components of an financial accounting information system, as follows:

- Financial data and information are collected from the synthesis documents of the financial and management accounting, and represents the basic components of the existence of a financial accounting information system. Financial data and information are most commonly represented by numbers or financial ratios (percentages) and *reflects 'actions, processes, facts, phenomena related to the organization or to outside processes whose management is interested in them'*⁸ Financial accounting information highlights the motivation of the financial accounting information system's existence in terms of final results of its capitalization based on scientific and knowledge reasons addressed by the management of the economic entity, but also in terms of meeting the requirements of the market economy.

- financial information circuits and flows:

- ✓ financial accounting information flow is the path of financial data and information from source to receiver;
- ✓ financial information flow is created at the level of the financial information system from the amount of data and financial information carried by the transmitter to the beneficiary on a section of the information flow. Financial information flow has a number of features such as: length, reliability, relevance, cost, moving speed etc.. Financial

information flows are classified according to frequency and moving direction. Depending on frequency we identify periodic and occasional financial information flows. Depending on the moving direction of the financial information flows we identify: vertical, horizontal and oblique flows.

- Information procedures represent the totality of the elements translated into operational procedures or into a work handbook, both setting out in detail, formally, operationally, economically the activities and modalities of collecting, recording, processing, analyzing, informing and archiving of the financial information. Within the information procedures, in addition to the above mentioned, they must include the operations and their succession for each activity. It must also contain formulas, methods, tools, models and means of processing the financial information.

- The means of processing the financial information represent the essence of the reliable functioning of the Information financial system because it reunites all means of centralizing, recording, transmitting, processing, storing of such financial information in order to obtain a useful set of indicators and financial ratios - central support in substantiating and improving financial decisions. In this context we identify in the category of processing financial information, hardware and software supports.

The main functions of financial accounting information system are:

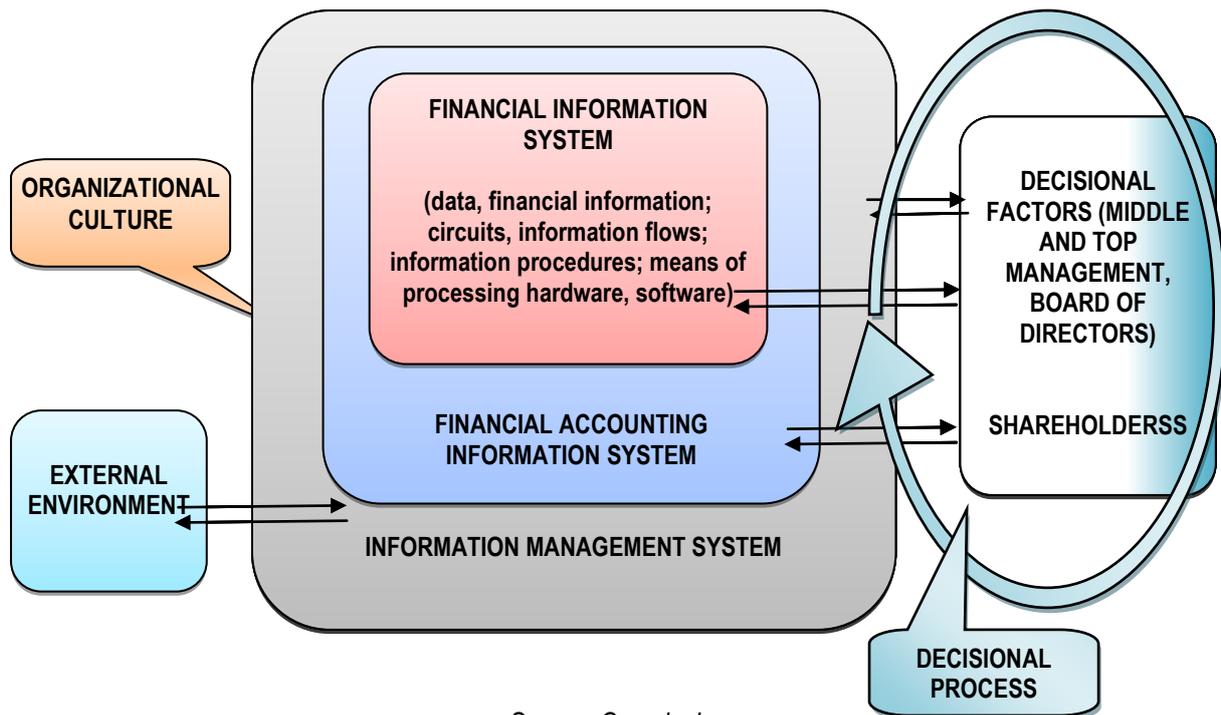
- collecting and storing data on transactions, so that the organization can consult their history;
- processing collected data and obtaining useful

- information for planning, execution and control of the organization's activities;
- providing appropriate control modalities for safeguarding the assets of the organization, including the information assets⁹.

3. Results

In the theoretical and applicative context of the main components of a financial and accounting information system functional at the level of an economic entity we present its structured operation in Figure no. 2.

Figure no. 2.
 Structured presentation of the financial information system's functioning within an economic entity



Source: Own design

As shown in the figure above, the economic entity's information systems interact between them and also with the external environment and with the decisional factors or the shareholders. Thus,

- the financial information system is part of the financial accounting information system and also the central pillar of the management information system;
- the organization's culture acts directly on the management information system and implicitly on the functioning of the entire economic entity;
- the external environment affects the whole economic entity acting directly on it;
- the management team respectively the decisional factors and also the Board of Directors in the public entities have a defining impact on all component elements of the economic entity and also on the performances which the entity records; it is to emphasize that there is a relation of interdependence between the entity's information systems, the component elements thereof and the decisional factors.

4. Conclusions

- The financial accounting information system is a set of items that are constantly in a relation of interdependence with the other information systems at the level of public entities, operates based on information procedures and dynamically competes to achieving the entity's objectives by adopting financial decisions.
- The financial accounting information system substantiates the financial decisions taken at each level of responsibility both at the middle management's level and at the top management's level, including executive members of the Boards of Directors in the public enterprises that have introduced corporate governance.
- The result of operating the financial accounting information system is reflected in a set of performance indicators, constructed so that they respond to both categories of internal users and to categories of external users in the manner of orientating the

economic entity towards performance and implicitly to meet the demands of the market to which it is addressed.

5. References

- Budugan D., Georgescu I., Bergheci I., Bețianu L., *Management Accountancy*, CECCAR Publishing House, Bucharest, 2007;
- Feleagă L., Feleagă N., *Financial Accountancy. A European and International Approach. Volume 1*, Second edition, Economic Publishing House, 2007, pg. 12;
- Nicolescu O., *Information Management System of the Organization*, Bucharest, Economic Publishing House, 2001;
- Petrescu S., *Analysis and Financial Accounting Diagnose – Theoretical and Applicative Guide, third edition reviewed and updated*, CECCAR Publishing House, Bucharest, 2010;
- Romney, M.B., Steinbart, P.J., *Accounting Information System*, the 8th edition, Prantice Hall, 2000;
- IFRS 2015, *International Financial Reporting Standards Part A, “Conceptual Framework and Requirements”*, Bucharest, CECCAR Publishing House, 2015;
- *Practical Guide for Applying accounting regulations on the individual annual financial statements and consolidated annual financial statements approved by Order nr.1802 /2014*, Bucharest CECCAR Publishing House, 2015;
- RENTROP&STRATON, *Specialized Information, ‘Accountancy’s Green Book’*, Bucharest, 2015;
- <https://dexonline.ro/definitie/cash+flow>ianuarie2016;
- <http://www.biblioteca-digitala.ase.ro/biblioteca/pagina2.asp?id=cap6>ianuarie2016.

¹ Ovidiu NICOLESCU, *Information Management System of the Organization*, Bucharest, Economic Publishing House, 2001, page 25;

² Silvia PETRESCU, *Analysis and Financial Accounting Diagnose – Theoretical and Applicative Guide, third edition reviewed and updated*, CECCAR Publishing House, Bucharest, 2010 page 9;

³ <https://dexonline.ro/definitie/epistemologie>februarie2016;

⁴ <http://www.politice.ro/img/ghidelaborare.pdf>februarie2016;

⁵ <http://www.politice.ro/img/ghidelaborare.pdf>februarie2016

⁶ IAS 7 “Cash flow Statement”, IFRS 2015, *IAS 7 International Financial Reporting Standards Part A, “Conceptual Framework and Requirements”*, Bucharest, CECCAR Publishing House, 2015 page A792;

⁷ <http://www.biblioteca-digitala.ase.ro/biblioteca/pagina2.asp?id=cap6>ianuarie2016

⁸ Ovidiu NICOLESCU, *Information Management System of the Organization*, Bucharest, Economic Publishing House, 2001, page 28;

⁹ Romney, M.B., Steinbart, P.J., *Accounting Information System, the 8th Edition*, Prantice Hall, 2000;