

THE MEANING OF ACCOUNTING INFORMATION IN THE COMPANY'S DECISION-MAKING PROCESS

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Abstract. *In literature, accounting is considered a business communication language and a major source of data for the economic information system. The area of information provided by accounting is very extensive, which ensures the knowledge and control of the company's financial position. The role of accounting information is to ensure a stable development as well as the realization of the cycles that characterize the purpose of the activities. The production of accounting information at the level of an economic entity must meet needs and provide usefulness to all users of information. The presentation of the qualitative accounting information leads to the foundation of the correct economic decisions in order to ensure and carry out an efficient and profitable activity. Through the systems offered by IT, accounting data is processed, transformed and easily presented in the information needed to control economic situations and to make economic decisions.*

Keywords: *accounting information, language of communication, economic decision, qualitative characteristics, accounting information system*

JEL: *M21, M41*

Introduction. The sustainable development of each company depends on a number of factors that can be found inside and outside the company. One of the most important factors, which represents a base of the development of the company is financial and accounting information. This is due to the fact that the sustainable development of any company can be achieved by reliable management and a clear strategy, the basis of which is important information sources presented by accounting.

The purpose of this article is to mention the importance of accounting information and decision-making feature, which reflect a real situation of activity in a useful form to the management of the company. Thus, the accounting information reflects the effective deployment of the company and the existing competitive conditions.

Accounting, over time, has developed the power to know the economic and financial situation and provided the information needed to make the right decision. From the above, the purpose of accounting is that the information and methods used by it should become a tool for guiding and establishing the conditions in which the company carries out its activity internally as well as in a macroeconomic context.

In other words, the information provided by accounting is an important source of leadership in the decision-making process and thus accounting becomes indispensable in the management activity of the companies, regardless of the activity they carry out.

Research methodology. This study is a fundamental research, which aims acquiring new knowledge and developing the theory through the importance of accounting information in the business environment. On the other hand, it is an applicative research, because it aims to analyse and find optimal solutions and decisions for the development of the company on the basis of the information provided by the accounting. At the same time, accounting information has a direct impact on decisions taken by managers to substantiate the company's strategic decisions.

In the process of research there were applied universal method of dialectics and its processes: induction and deduction, analysis and synthesis, scientific abstraction, analogy, correlation, as well as methods of economic analysis of information processing by comparison and grouping, etc.

Analysis of the literature. In the literature, the information provided by the accounting is *a mean of communicating* of company with the external environment, but also within it, between departments or sectors of activity. The relationship between third parties, managers and accounting

as an information source is complex and multidimensional. Based on the data provided by the accounting, effective indicators are constructed, forecasts are being prepared and valid decisions are grounded for both managers and the public interested in the external environment of the entity.

So, appeared the idea of presentation accounting information as a language of business, which is characterized by three dimensions:

1. **the accounting syntax**, represents a set of rules and procedures to be followed for recording economic facts, starting from the symbols of the accounting vocabulary, with emphasis on the representation of economic reality;
2. **the semantics of accounting language**, deals with the significance of the signals transmitted by accounting through the information function;
3. **the pragmatic aspect**, describes how the entity communicates accounting information and how to use the accounting information from different users.

The description of accounting information in these forms is characteristic of current accounting thinking as it defines both the purpose of financial statements by providing information to substantiate external users' decisions as the purpose of internal reports by providing useful information to the company's managers for making optimal decisions.

Results and discussions. Accounting information, being seen as *a mean of communication in business*, becomes an instrument with which economic decisions are managed and capitalized. The usefulness of accounting information in financial communication is highlighted by the circumstances in which receivers use it to understand the economic reality and to make decisions.

In the communication, the accounting information can be viewed from two sides: on the one hand the information transmitter, being the company that refers to accounting information and on the other hand, the receiver of information - users (internal and external) of accounting information.

The process of communication of accounting information is shown in figure 1.

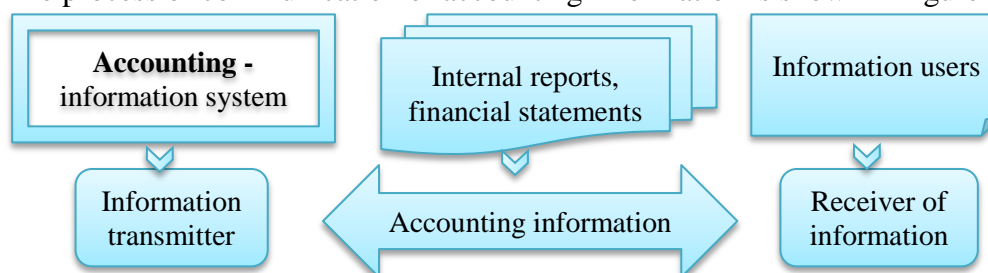


Figure 1. Communication of accounting information

Source: elaborated by the authors

Specialized literature states that financial-accounting information is one of the main informational sources of any decisional system. Starting from reports on production or stocks held up to the preparation of financial statements, the purpose of accounting is to provide useful information to various categories of users in choosing the best solutions.

Accounting information is both quantitative and qualitative. The quantitative nature shows the magnitude and the multitude of the provided information, and the qualitative reflects that side of the information that gives the confidence in it. Regardless of recipients (users) and accounting information goals, it must have certain qualities in order to distinguish between viable and unnecessary information. Qualitative characteristics of accounting information are the necessary attributes that allow us to determine the usefulness of the information provided by the financial statements.

Due to the variety of information requested by users and the information provided by the companies, the draft Law on Accounting, art. 20 (2) presents some qualitative features that accounting information should have when compiling financial statements. These qualitative characteristics of the accounting information are delimited in fundamental and amplified features as shown in figure 2.

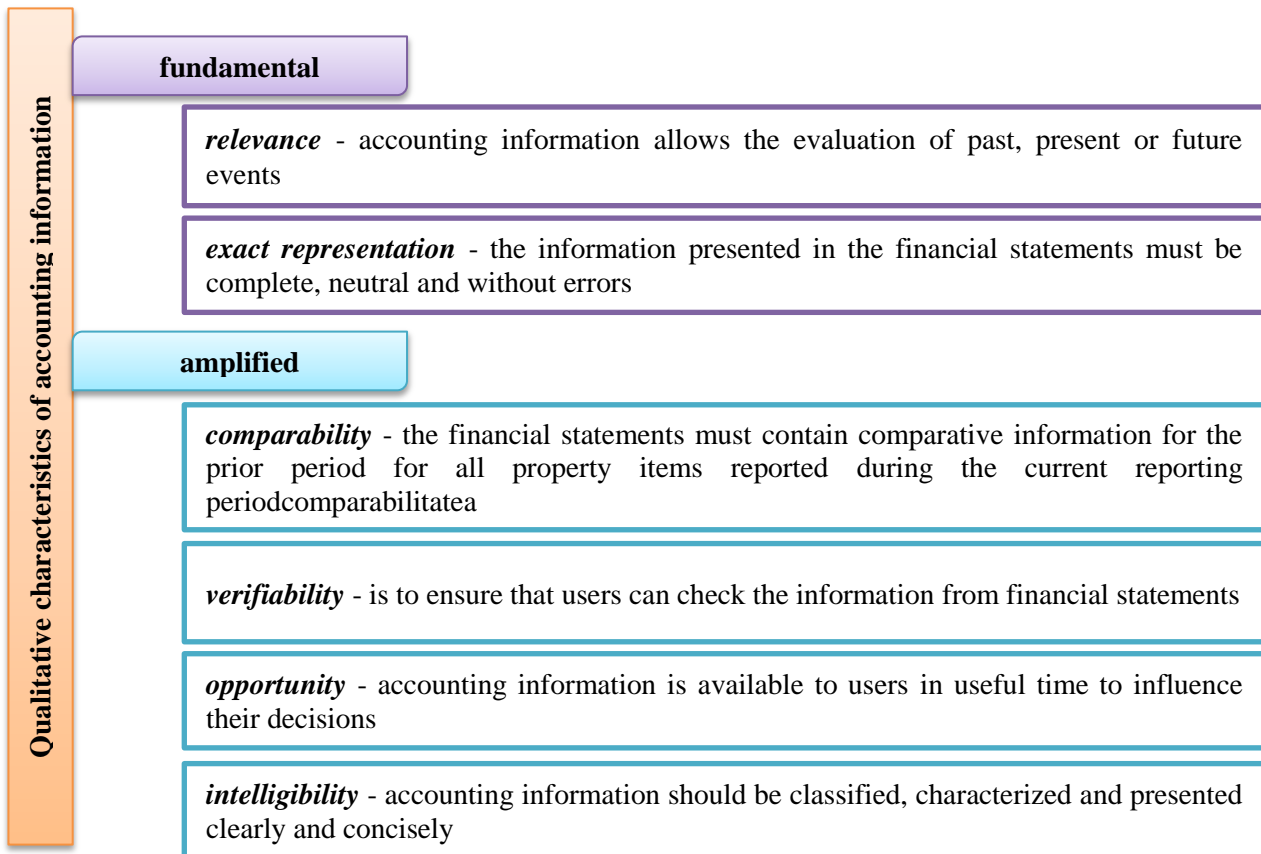


Figure 2. Qualitative characteristics of accounting information

Source: elaborated by the authors on the basis of the draft Law on Accounting, art. 20 (2) [6]

Therefore, the qualitative characteristics that accounting information must possess affects the quality of the information provided by it and influences the substantiation of economic decisions. The role and importance of accounting information in the decision-making process and the correlation between them is shown in Figure 3.

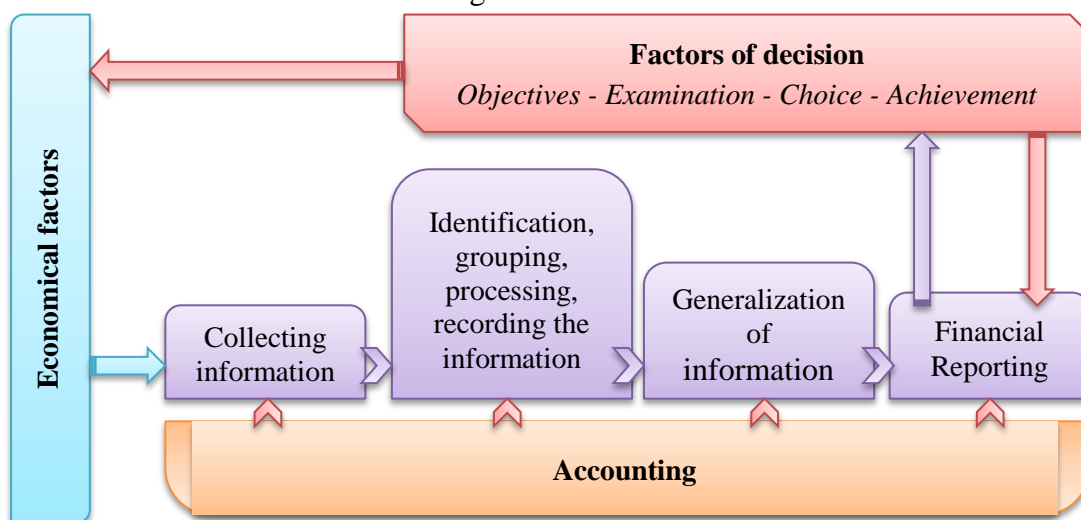


Figure 3. The correlation between accounting and decision-making

Source: elaborated by the authors on the basis [2, p. 9]

Based on the correlation presented between accounting and decision-making, the information provided by accounting fulfills certain roles, namely:

- ✓ measures economic activities by recording the data which these receive for using in the future;
- ✓ processes the data needed to become useful information for making economic decisions;

- ✓ communicate the company's real situations through decision makers' reports.

On the basis of the above mentioned, it results that the information on economic activities represents data entries in the accounting system, and after processing they become useful for decision-makers and represent information exits through various forms of reporting.

Thus, accounting becomes an information processing tool and presents it at the request of decision-makers through the information system because:

- ✓ the microeconomic level, decisions are made on the basis of the information provided by the accounting;
- ✓ allows managers and external information users to have an image of the entity;
- ✓ connects with other company activities by integrating information into a common base.

In the present, the information provided by accounting is an issue of major importance in the economic decision-making process of the company and in ensuring decision-making transparency. In the center of the economic information system, accounting information resulting from the use of information technologies becomes a source of communication and understanding of economic life.

At the same time, the modern entity tends to be rallied to the current of informational globalization as a consequence of the restrictive requirements imposed by the accounting science and practice.

The transition from industrial age to the age of information was achieved through the knowledge-based economy, characterized by a rapid pace of innovation, globalization and the emergence of new information technologies. Currently, this knowledge-based economy is based on a modern concept, called *economic intelligence*.

At the microeconomical level, economic intelligence is centered on the relationship of accounting information - **an economic decision**, in which this category of information is considered a strategic resource.

In this context, it is possible to distinguish the technical and accounting sciences as a result of interposing the computer system by developing software programs that encompass all the rules, procedures, methodologies and techniques necessary to obtain the economic and financial information of a company economic system.

Through computer systems, accounting data is processed and transformed into information, which is then provided at different levels of company management. With new tools, including routines and software applications, managers can easily control the economic and financial situation of companies. Through IT, managers can get the information they need to make decisions, eliminating redundant data and non-performing and time-consuming activities.

From the point of view of management, accounting information obtained through the use of information technologies is the basic raw material in the elaboration and substantiation of economic decisions. Based on the mentioned above, accounting information is the basis on which the economic decision is made.

Considering that the objective of accounting information is to meet the needs of users of accounting information, which are complex and sometimes contradictory, we may consider that dissemination of information is a source of power, requiring the process of dissemination of accounting information to be the role of sound economic decisions at all organizational levels.

Currently, in practice, there is a close relationship between accounting and IT - computer science has adapted to accounting. This made it possible to obtain considerable advantages in terms of processing speed and correctness of the processing, the quality of the accounting information, the completion of the accounting documents used, etc. The importance of using information technology in accounting is:providing accounting information to different users, controlling the economic and financial situations of activities, easily presenting the information needed to make decisions, etc.

In the business environment, information technology aims to help managers by providing the information needed to make decisions. Through computer systems, accounting data is transformed into information and knowledge and then used at different levels of management. The

effects of using information technology in accounting, as well as the skills required for IT staff, are presented in Figure 4.

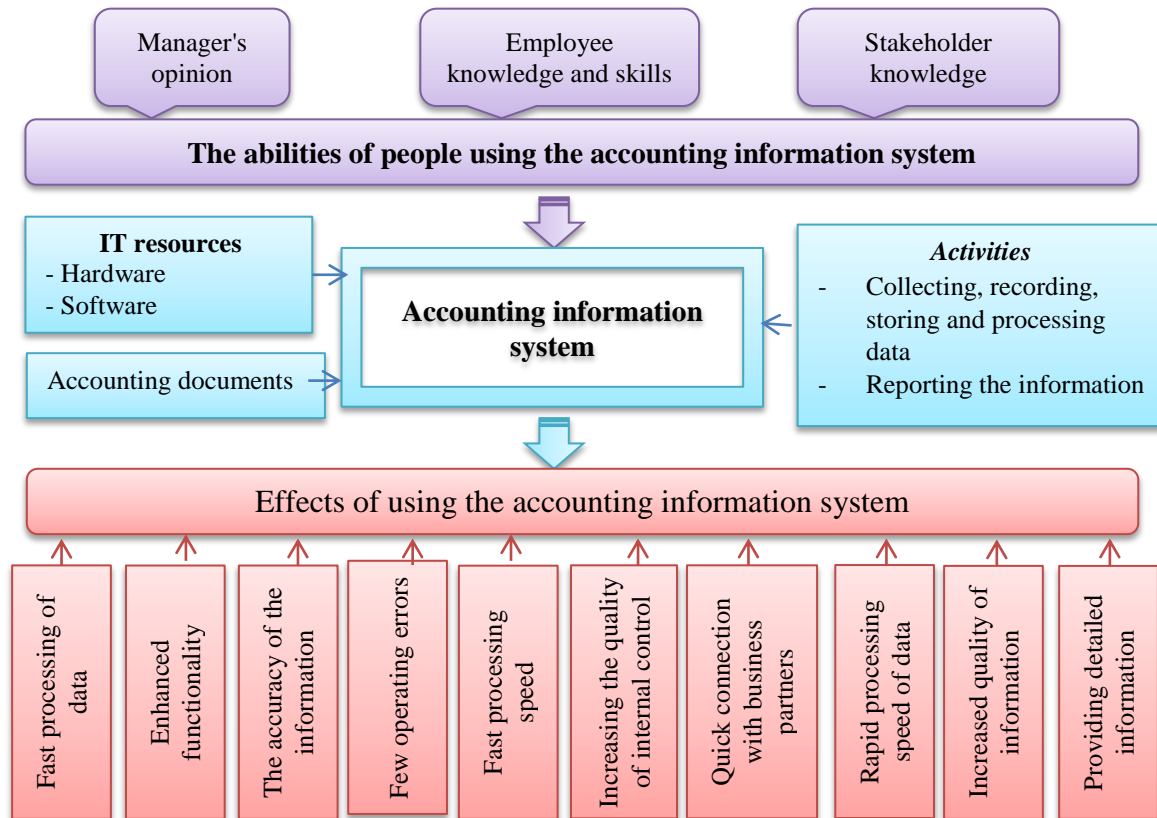


Figure 4. User skills over IT and its effects in accounting

Source: elaborated by the authors on the basis [5]

To meet the needs of modern management and to meet the needs of a diverse range of users, the accounting information system has to define several features, namely:

- ✓ *a complex and dynamic system* that incorporates reality and continually records changes;
- ✓ *open and interactive system* to record the processes in the daily reality of the company, justifying them by its interactive nature;
- ✓ *real-time system* that assimilates modern information technologies.

Conclusions. Based on what is outlined in this article, most of the decisions are taken by the company's managers based on the information provided by the accountancy. Hence, accounting information is a significant component of economic information and, at the same time, the basic component of the accounting information system.

For an unpredictable future, the accounting information will be an important part of the economic information at the microeconomical level, by the fact that each interested user will resort to accounting, because they are the only real source of the company presents.

Accounting information is addressed to a very diverse audience, expressing the possibility to make decisions that are consistent with the reality of the business environment. Providing qualitative accounting information leads users to find the right economic decisions in order to ensure and carry on an efficient activity under the current conditions of competitiveness and profitability.

Our research demonstrates the positive impact of IT on accounting systems. Transactions can be done very quickly, in a simplified way, and managers are able to make better decisions to achieve the entity's goals. Due to its competitive advantage, the processing of financial-accounting data via IT allows for rapid access to the appropriate accounts, detailed representation of financial

information that can be presented at any time as well as better error detection and more efficient control of information.

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