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THE ROLE OF FINANCIAL-ACCOUNTING INFORMATION IN THE DECISION-MAKING PROCESS

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Abstract. The informational system of an entity is based on accounting information obtained from the accountants, which is transmitted to process financial analysts in order to obtain a new product: financial information. This allows internal and external users who have a financial interest in the entity to make optimal management decisions. This research aims to highlight the role and importance of financial-accounting information in the decision-making process, to look back on the emergence, development and perpetual improvement of the entity's information system, to reflect how new requirements for financial-accounting information have led to the emergence of new attributions and responsibilities of the accountants, to analyze the provisions of the normative framework and of the specialized literature regarding the financial-accounting information, to explain the difference between the accounting information and the financial information, and as a result - to present the interdependence between financial-accounting information and the decision-making process.

Keywords: *financial information, accounting information, decision-making process.*

Rezumat. La baza sistemului informațional al unei entități stă informația contabilă aflată în responsabilitatea contabililor, ulterior fiind transmisă spre prelucrare analiștilor financiari pentru a obține un nou produs - informația financiară. Aceasta permite luarea deciziilor manageriale optime de către utilizatorii interni și externi cu interes financiar asupra entității. Prezenta cercetare urmărește reliefa rolului și importanței informației financiar-contabile în procesul decizional, să privească în retrospectivă apariția, dezvoltarea și îmbunătățirea perpetuă a sistemului informațional al entității, să reflecte modul în care noile cerințe atribuite informației financiar-contabile au condus la apariția noilor atribuții și responsabilități ale contabililor, să analizeze prevederile cadrului normativ și ale literaturii de specialitate cu privire la informația financiar-contabilă, să explice diferența dintre informația contabilă și informația financiară și, ca finalitate, să prezinte interdependența dintre informația financiar-contabilă și procesul decizional.

Cuvinte-cheie: *informație financiară, informație contabilă, proces decizional.*

Introduction

The dynamism and scale of perpetual developments in all spheres of economic and social life have led to the development of society as a whole and the progress of economic structures, increasing the efficiency of exploiting the potential of human, material, financial and informational resources.

According to history, since the middle ages, due to the trade in Italian city-states, a complex system of records called "double-entry accounting" has emerged. The liberal accounting profession developed late, laying its foundations in the 18th century, with the establishment of the first professional organizations for accountants.

From an evolutionary point of view, the technique of double entry accounting has changed insignificantly, but the perspective on the object and content of the financial statements has changed, thus, as the economic units proliferate, the demand for accounting services has increased, the profession becoming an integral part of the financial system and business.

Based on the fact that the importance of accounting increases with the level of economic development of a country, as a result of accounting development, it has become an informational system on which depends the distribution of resources throughout the economy. However, "even before there was a theoretical system that formally specified its role, information was the engine of development, so that new knowledge is built on the support of existing ones, by analyzing and interpreting information and making decisions about future actions or to the evaluation of previous actions" [1].

Accounting is also interpreted as an informational discipline, based on the perspective of studying the effects of economic transactions and other events on the economic and financial situation, as well as on the performance of an entity aimed at informing internal and external users. Due to the language, principles, own system of concepts and procedures, accounting is the only source that can provide financial-accounting information about an organization, eloquent information that underlies the assessment of the organization by users.

Research Objectives

The current research focuses on the role and importance of information provided by accounting and its usefulness in decision-making process. Analyzing the search engines, scientific articles and literature, it can be seen that the authors' research on the decision-making process is not numerous, although there are many studies on the role of accounting and the information provided by it, also related to the decision-making process. However, the decision-making process is widely discussed in the field of business unit management.

The purpose and objectives of the research derive from the challenges encountered in the *activity of accountants and financial analysts* - responsible for obtaining, processing, synthesizing information obtained from economic transactions and providing it to the internal and external environment of the entity, or rather, users of financial information, whose informational needs constantly increase, as well as the requirements for its quality. The purpose of the research is

Thus, *the purpose* of the research is to analyze and compare the terms of financial information and accounting information, and to identify its impact for the decision-making process. The *general objective* of the research is to argue the role and usefulness of the

financial-accounting information in the decision-making process, based on which was established several *secondary objectives*, as follows:

- to research the provisions of the normative framework related to financial-accounting information;
- to argue the possession and systematic modernization of the financial-accounting information system;
- to perform comparative analysis of the specialized literature, opinion of the national and foreign authors related to the role of the financial-accounting information;
- to present the accounting informational system architecture;
- to reflect the interdependence between the financial-accounting information and the decision-making process.

Research Methodology

In order to achieve the proposed objectives, the theoretical approach of the issue was used. Thus, several research methods were used during the research, among which:

Analytical method - analysis of theoretical aspects starting from the research of the normative framework (national and international normative acts) and literature (local and foreign authors);

Webographic analysis - use of search engines like Web of Science, specialized websites, Google Scholar platform, VOSviewer software, literature and scientific articles;

Comparison method - the examination in antithesis of the provisions related to the financial-accounting information on national and international level, as well as the establishment of the interpretation differences between the accounting information and the financial information;

Systemic method - personalized argumentation of the information proposed in this paper and motivation for its selection, coherence of thoughts and interpretations;

Synthesis method - research of different approaches and generalization of the identified information, cohesion of the information found in various researches and synthesis of the main idea;

Induction method, which allowed to substantiate the main points and conclusions of this scientific article;

The combined and consistent application of the research methods listed above has helped to substantiate the scientific arguments related to the role of financial-accounting information revealed further in the context of this paper.

Review of the Legal Framework and Literature

The requirements related to the content and quality of the financial-accounting information are provided by the accounting normative framework and the specialized literature. The treatment of financial-accounting information from the perspective of normative acts, especially the Law on Accounting and Financial Reporting, derived from the fundamental and enhancing qualitative characteristics of financial-accounting information. At the same time, the significance and the way of outsourcing the financial-accounting information within the economic units are found in the National Accounting Standards (NAS), as well as in the International Financial and Reporting Standards (IFRS).

In order to investigate the main directions of research in the scientific field related to financial accounting information, we analyzed the keywords from the abstracts of the articles published in Web of Science (Figure 1) using the VOSviewer software tool for constructing

and visualizing bibliometric networks. A total of 9,825 articles were analyzed, published between 2011 and 2021 in such journals as: Contemporary Accounting Research, Journal of Accounting and Economics, Journal of Accounting Research, Review of Accounting Studies, and The Accounting Review, with the main search keyword "financial accounting information".

In the Figure 1 are presented six interdependent groups (clusters), focused on the financial-accounting information term. The largest group (in red) covered topics related to accounting information, IFRS, accounting quality, comparability, accounting experts, value-relevance, earnings quality, financial expertise, etc.

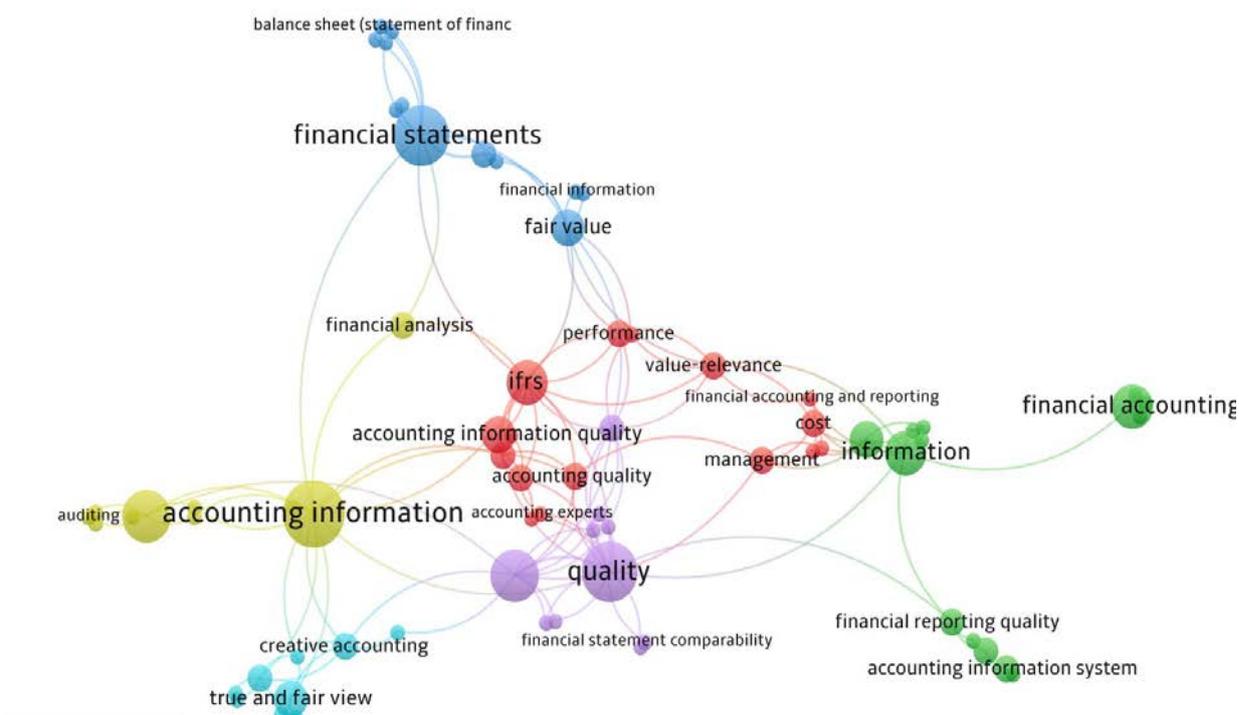


Figure 1. The key concepts related to financial accounting information used in the most relevant scientific papers published between 2011-2021.

Source: Developed by the author.

The second group (in green) covered issues related to business performance, decision-making process, financial accounting, financial reporting comparability, financial risks, managerial accounting and strategic decisions.

The third group (blue color) addresses topics such as accounting system, balance sheet, financial information, financial statements, fair value, information users, transparency.

The fourth group (yellow color) includes as research topics the following terms: auditing, financial management control, key performance indicators, information system, accounting principles.

The fifth cluster (purple) is developed on topics related to information risk, internal control, quality, efficiency.

The sixth cluster (azure color) revolves around items such as creative accounting, credibility, fair value, relevance, transparency, true and fair view, reliability of financial reporting.

Based on the bibliometric visualization from the Figure 1, the authors concluded that the groups of notions included in the clusters 1 - 6, highlighted the most often studied key terms related to financial – accounting information such as: quality, relevance, fair value, financial statements, financial accounting, accounting information and performance, which reflects the main subjects to discussions, analyzed by the researches from the economic, management and business field.

The keyword relationships presented in the visualization are formed mainly between publications that belongs to the same cluster. In addition, the view shows that groups 1, 3, 4, and 5 (shown in red, blue, yellow and purple) are more interconnected than the other groups. Thus, the group 2 and 6 (shown in green and azure) represents more independent clusters.

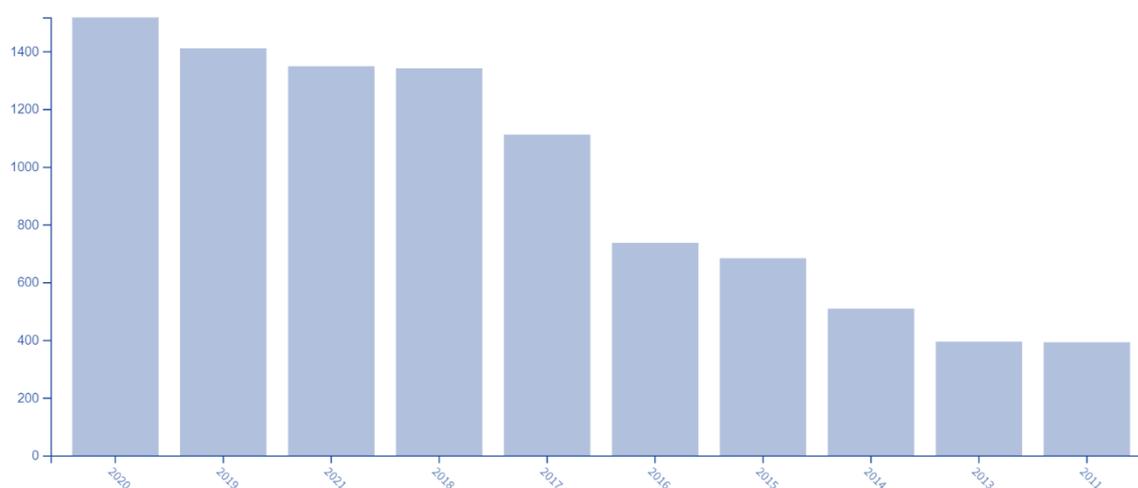


Figure 2. Quantitative evolution of the global scientific research related to financial accounting information topic between 2011-2020.

Source: Developed by the author.

The main part of studies were published within the period 2017 - 2020, the higher number of 1517 scientific papers being published in 2020 (Figure 2). The constantly increase in the number of researches prove the raising demand for studying the aspects and role of financial accounting information, as well as identifying its impact on different aspects from the economic, management and business field.

The role of the accounting information in the decision-making process is widely described in the works of local researchers: Grigoriu L., Lazari L. Bădicu G., Mihaila S., Panuş V., Ţurcanu V., but also foreign researchers as: Feleagă N., Nedless B., Colasse B., Epuran M., Lande E. etc.

The research of the specialized literature shows that the treatment of the role of accounting and financial-accounting information in the decision-making process is treated differently. In the view of the author Bîrcă A. "accounting is an element that keeps all the information and presents it, upon request, to decision makers" [2, p. 13-14]. The same approach is supported by the french scientist Delesalle Eric who mentioned that "accounting is a technique that allows the interpretation or measurement of economic events by providing financial information", and its objective is "to measure and translate the entity's activities" [3]. This approach emphasizes the process of measuring, quantifying and accurately representing accounting information as well as financial information, that are the sources of information

on which the entity's managers rely in the decision-making process. On the other side, the french author Colasse, B. comes with a broader approach, aiming that "accounting is a management method with a social role, given the fact that based on accounting information, are made decisions that change the wealth of individuals and social groups" [4].

Thus, based on the above mentioned authors, the final point of the financial-accounting information path is the the decision taken by the users. The same idea is revealed by the scientist N. Felegă who state that "the common point of view of the different authors and accounting bodies regarding the main objective of financial information is to be useful to different users in the decision-making process" [5].

Taking into account that the main part of the decisions issued by the entity's management are based on the information provided by accounting, in order to emphasize its role, the Romanian author Epuran, M. defines accounting information as "specific economic information, produced through processing the methods, procedures and tools" [6, p.29]. In the same vein, the local authors, Bădicu, G. and Mihaila, S. pointed out that despite the functioning of a single accounting system, "it is built in such a way that, by regrouping the initial data, those information which can help the users to make the right decisions should be made available" [7, p.22]. This approach put the accent on the flexibility of the accounting information, based on its continuous adaptable character under the users needs, which leads to obtaining the financial information.

Based on the performed research, the authors concluded that the term of financial-accounting information represents a set of data which initially is based on the large spectrum of the accounting information, which after applying different procedures, calculations, selections and formulas, can be managed in a specific manner in order to obtain financial information adapted to the different and specific users needs.

Financial-accounting information is one of the main sources of information of any decision-making system, "from production reporting to preparation of annual statements, the purpose is the same: to support various categories of users in choosing the optimal solutions" [8]. We support the idea that the main purpose of financial accounting information is to provide utility or relevance to the entity's managers in the decision-making process. The cycle of accounting-financial information involves at the first stage the quantification and expression of economic events and transactions in qualitative and quantitative terms, which at the final stage are systematized and converted in a flexible and adaptable information in dependence of the users needs.

The Architecture of the Accounting Informational System

Accounting is the most important element of the information system, because the managerial decisions are analyzed and made mainly based on the information provided by accounting. So, the usefulness of the accounting information gathered in the financial statements is demonstrated by the efficiency of the financial communication in terms of informing users for making decisions.

In order to overcome the difficulties of interpretation, we aim to elucidate the differences between accounting and financial information, as well as the possibility of matching these terms. Thus, the financial communication is based on both accounting and financial information, these two categories are different on their source and purpose (Figure 3).

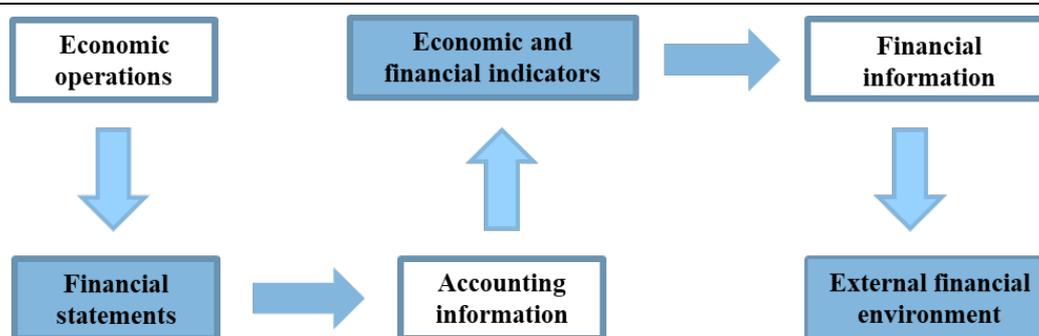


Figure 3. The informational route within the economic units.

Source: Developed by the author based on [9].

As it is shown in Figure 3, the quality of the financial information depends on the quality of the accounting information. Based on the fact that the last one has a systematic character, coherent nature and the diversity of information provided by accounting, it makes the accounting system the main source of information indispensable for the decision-making process. At the same time, these two categories of information demonstrate in practice a series of characteristics through which they are differentiated (Table 1).

Table 1

Comparative analysis of accounting and financial information

How to obtain the information	Through accounting accounts takes place the processing of economic operations and a patrimonial transactions.	Obtaining information precedes the processing of the accounting information provided, using economic and financial indicators.
Source of information	The basic source of the accounting information can be found in the financial statements.	The information is obtained after processing the financial statements, through providing economic and financial indicators.
Responsible persons for obtaining the information	Accountants are responsible for informational management.	Financial analysts process the information obtained from accountants and presents a new approach.
	Internal and external users: owners, employees, authorized state bodies, the entity itself, etc.	External financial environment: owners, financial institutions, the capital market, new investors, etc

Source: Developed by the author based on [10].

Usefulness of Financial-Accounting Information in the Decision-Making Process

In the spectrum of accounting functions, the basic one is the *information function* that consist of the provision of information on the structure and dynamics of assets, financial situation and economic and financial results obtained in order to make a decision.

The economic decision-maker, at the microeconomic level, needs information that comes from both the external and internal environment. Accounting information is essential for economic decision-making by the entity's management. In their concern to provide an accurate picture for decision makers, "accountants apply reasoning (professional judgement according to International Accounting Standards (IAS)), which means that they have right to use one treatment or another in order to provide thruthul information" [11].

The decision-making process, mainly the accounting decision, have a considerable impact due to the reconsideration of the chief accountant responsibilities, who contributes with his professional judgement in the same way as the director for the purpose of the correct management of the entity, control of activity, efficient management of resources, such as: planning, organizing, coordinating, leading and controlling.

As a result, the authors states that the basis for decision making is information and knowledge build on professional judgement. Since the decisions are based on information, in the figure below is presented the relation between accounting-financial information and different types of decisions (Figure 9).

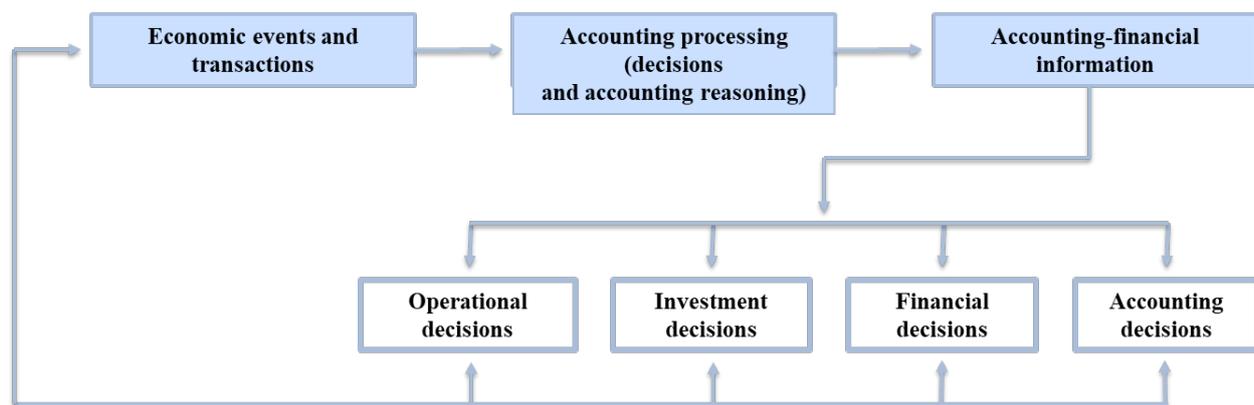


Figure 9. Interdependence of accounting-financial information and decision making process.

Source: Developed by the author based on [11, 12].

According to Figure 9, accounting financial information is used for different types of decisions such us operational decisions, investment decisions, financial decisions and accounting decisions. At all stages of the decision-making process, different information is used and in these situations the role of accounting is significant since the accounting system monitors whether the information meets the requirements of usefulness and necessity for the process of making managerial decisions, and as a result leads to qualitative decisions. Thus, "the supply and demand for the accounting reports has increased considerably, which also leads an increase of the requirements for the accounting information provided by accounting, necessary for users in the decision-making process" [13]. The quality of current and strategic decisions and, directly, the future results of the entity depend on the importance and quality of the information [14, p. 198].

Taking into account that the accounting information is the most accurate, complete and operational, its use allows taking optimal economic decisions in order to ensure and carry out an efficient activity in the current conditions of business.

Conclusions

Information in general, and accounting in particular, is constantly changing in the current economic turmoil. In this research we focused on elucidating the usefulness of financial-accounting information in making decisions at the entity level.

The authors agrees with the opinion of the scientist Vatasoiu C., who stated that “the adoption of reasonable decisions that correspond to market reality and contribute to solving problems that have arisen in the economic and financial activities of the entity, depends on the quality and quantity of information provided by the accounting informational system” [15].

A well-organized information system, which contains relevant indicators for managers, acquires an increasingly important role for the entity, partners and other users. So, from this point started accurate representations of economic phenomena and processes, which represent the consistent, complete and timely information. That means that accounting information is the epicenter of an entity’s informational system or, in other words, the origin of the decision-making process. Thus, in order to make a sound and well-reasoned decision it is necessary to use and process the qualitative and fair data provided by the accounting information system.

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