Available online at www.sserr.ro

Social Sciences and Education Research Review

(4) 1 125-135 (2017) ISSN 2392-9683

THE CHARACTERISTICS OF THE INFORMATION CONTAINED IN THE SYNTHESIS REPORTS

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Abstract

This study aims to highlight the main qualitative features of the information to be included in the synthesis accounting reports. The prerequisites of the paper are the fact that the synthesis financial reports are cardinal documents of all economic entities and the fact that the quality of the information retained in these reports depends on the competitiveness, efficiency and good activity of the economic entities. The conclusion to be reached is that the information contained in the synthesis reports must be opportunity, comparability, intelligibility, verifiability.

Keywords: synthesis report, economic entity, qualitative information

JEL Classification: M40, M41, F21, F36

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INTRODUCTION

The elaboration of the annual financial reports and their handing in to the authorized institutions is imposed by law. The big, middle and small enterprises develop a profit-and-loss Account and Balance Sheet (Ristea, 2010, p.25). The balance sheet stands for a financial instrument that dates back to the ancient times, and that has been improved together with the increase in the information requirements.

It overtakes the data registered by the accounts, by means of the trial balance and presents them briefly. It functions according to the principle of the double representation of the patrimony, rendering the equilibrium between the economic means and the financial resources, according to the relation: Active balance sheet = Passive balance sheet, (the total liabilities)

"In accordance with the international accounting referential, the financial reports must allow for the evaluation of the financial position, of the economic performance of the entity, as well as of the evolution of the financial position used in order to help the investors make their own decisions of investment and disinvestment" (Feleagă & Feleagă, 2007, p. 19). The form and content of the balance sheet must observe the principles of the European Community. The balance sheet must offer an accurate image of the finacial situation of the enterprise; the interpretation of activities must be carried out according to the juridical and economic conceprt of the patrimony; the evaluation of the patrimonial elements within the balance sheet must be made according to historical costs; middle and small enterprises must present the balance sheet according to a symplified system. The accounting audit can be

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elaborated in horizontal or vertical format (Iacob, Ionescu & Goagără, 2007; Siminică, 2008; Iacob, Ionescu & Avram, 2011).

FINANCIAL REPORTS

The financial reports are a structural representation of the finacial position and performance specific to a commercial society, economic entity. Thir objective is to offer information on the financial position of the company, its financial performance, the treasury flows whose information is useful within the process of making financial and economic decisions by the multiple users.

Conequently, these situations of synthesis of the company offer information on the assets, total debts, the subscribed and paid-in share capital, their modifcation, the policy of investments, personal and permanent capital, the treasury, operating, investment and financial flows.

All the information contained by the financial situations helps the users of the financial situations, to estimate, by budgeting and forecasting the future treasury flows or the general economic analysis, by means of the financial situations that must be carried out periodically in the public, economic and administrative institutions, with a view to observing the performance, the financial position and the financial management of these public institutions. The accounting international standard IAS 1 is a component of the European legislation, that must be observed by the financial institutions of the commercial societies.

The financial reports of the companies must observe the conformity, that is to comprehend an explicit mention of conformity with this standard. This standard describes the basic hypotheses in the elaboration of the financial reports, the continuity of exploitation, the independence of exercises, the

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permanence of the presentation methods, the threshold of significance and grouping of the elements, the comparative information.

The individual or consolidated financial reports make reference to: a balance sheet, a profit-and-loss-account, a situation of the variation of the proper capitals, (equity), a balance sheet of the treasury flows, the annexes for the description of the significant accounting policies and the explanatory notes (Sirkova, Taha & Ferencova, 2016; Kovács, 2017).

Ordinace no.1802/2014 for the approval of the accounting regulations concerned with the yearly individual and consolidated financial statements

- The accounting regulations stipulate
- The format, the content of the yearly financial reporst;
- The accounting principles and rules of evaluation, emphasis and presentation of the elements specific to the annual individual financial reports;
- The rules of elaboration, auditing, approval and verfication, in accordance with the law and the publication of the annual financial reports;
- The general chart of accounts;
- The content and functioning of the accounting accounts;

Rules concerned with the elaboration of the anual consolidated financial reports. OMPF, (Ordinace of the Ministry of Public Finance) no 65/2015 concerning the main aspects related to the elaboration and handing in of the anual financial reports and of the anual accounting reports of the economic operators for the territorial units of the Ministry of Public Finance, published din the Official Journal no 69 since 27.01.2015. OMPF 123/2016 concerning the main aspects related to the elaboration and handing in of the annual financial reports and of the annual accounting reports of the economic operators for the territorial units of the Ministry of Public Finance, published in the Official Journal no 81 since 4.02.2016.

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OBIECTIVES OF ANNUAL FINANCIAL REPORTS

The objectives of the annual financial reports focus on the provision of information (OMPF no. 1802 from December 29, 2014) and data concerned with the financial position of the company, the performances and modifications of the financial position. Both the external and internal users are interested in these pieces of information, that they use to make current and future economic decisions, more precisely when they should buy or sell, maintain parts of the company's capital, distribute the dividends, reinvest the obtained profit, or determine the fiscal policies.

An economic enterprise presents annually a complete set of financial reports, that contains comparative information of two consecutive years, whereas the presentation and classification of certain elements within the financial reports, must be consistent from one period to another (Bojian, 2001; Sălceanu, 2012).

The principle concerned with the continuity of activity lis at the basis of the elaboration of the financial situations. It starts from the premise that the society does not dissolve or goes into payment default during the future financial exercise. The compensation of the elements related to the financial situations is not allowed, that is the assets with the liabilities and the income with the expenses.

As to the accrual accounting (http://www.scritub.com/economie/contabilitate/BILANTUL-CONTABIL-DOCUMENT-DE-23113221124.php), the financial statements are elaborated on the basis on the accrual accounting principle, that is the admission of the assets and liabilities, of the income and expenditure, when the transactions take place, not when we make the payments and receipts corresponding to the transactions carried out by the enterprise.

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The financial situations bring information on the policies related to the investment of the economic entity, that represents an immobilization of the assets, the employment of human and natural resources, the initiation of partnerships, their maintenance by companies from different fields of activity (Ristea, Dumitru & Ioanăș, 2009; Munteanu, 2012; Pântea & Bodea, 2014).

The financial reports bring information on the financial structure and costs of the capital. The financial stucture of an enterprise reflects the structure of its capital and in its turn, the structure of the capital indicates the proportion of the personal capital, (equity) in the total amount of the capitals. There are companies that finance themselves from personal resources, but there are also companies that ask for internal financing, leasings (Bačík, Fedorko, Kakalejčík & Pudło, 2015; Stefko, Fedorko & Bacik, 2016; Ferencová, Kakalejčík & Kot, 2017). The financial reports bring information on how the dividends are distributed, or how the profit is reinvested; the main factors that influence the dividend policy are the financial reports of the company and the preferences of the shareholdres and investors.

According to OMPF no. 1802 from December 29, 2014, for the approval of the accounting regulations concerning the individual and consolidated annual financial reports: the Ministry of Public Finance, published in: The Official Journal no. 963 from December 30, 2014, the fundamental qualitative characteristics are relevance and the accurate representation.

Relevance represents that quality by which the financial reports have the capacity to help the information users in the process of decision-making. They can help the users if they have a predictive value, the value of confirmation, or both. They have predictive value when they can be used as parts of the processes enforced by the users in order to forecast the future results.

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The predictive and confirmational values of the financial information are closely related. Those pieces of information with predictive value often have a confirmational value (Stefanescu, Pitulice & Mihalcea, 2017; Neacşu & Feleagă, 2017). The information on the income of the current year can be used to forecast the incomes of the following years.

The threshold of significance is an aspect of relevance, specific to an entity, based on the nature and size of the elements the information reported by the entity refer to (Kot, Ferencová & Kakalejčík, 2016; Ferencová, Ślusarczyk, Kot & Mišenčíková, 2016). The current regulations do not specify a qunatitative level of the threshold of significance and they do not predetermine what would be significant in a certain situation.

The accurate representation. The annual financial reports describe economic phenomena and information by means of words and especially numbers. An accurate description must be complete, neuter and correct. It must include all the necessary pieces of information so that a user can understand the described phenomenon, the explanations.

A complete description of certain elements from the balance sheet contains the description of the nature of those particular elements, a numerical description. For some elements, a complete description can ask for explanations concerning the significant facts on the quality of those factors that could influence the elements' quality, nature and the process used to determine the numerical descriptions (Ferris, Eckstein & DeHond, 2017). A neuter description does not accept influences when it comes to the presentation of the financial information, it is not distorted, it is balanced, emphatic and it does not include useless information. The relevant pieces of financial information are defined as those pieces of information that bring about a difference in the decisions made

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by the users (Quffa & Voinea, 2013; Negrea & Voinea, 2016; Vavrek, Kotulic, Adamisin, Sira & Vozarova, 2017).

The correct representation means that there are no errors or omissions in the description of the phenomena and the process used for the generation of the reported information was selected and correctly enforced.

CONCLUSION

The implementation of the fundamental qualitative characteristics such as opportunity, comparability, intelligibility, verifiability, are qualitative characteristics that amplify the utility of the relevant and accurately represented information on the financial reports.

Comparability is that quality by which the pieces of information on the reporting entity are much more useful if they can be compared to similar information on the same entity specific to another period (Man, Vladutescu & Ciurea, 2009; Janmaimool, 2017). This is one of the qualitative characteristics that allows its users to understand the similarities and differences between the elements. Coherence is not identical with comparability, it makes reference to the use of the same methods for the same elements, from one period to another, within the reporting entity, or from one single period, for different entities. The pieces of information are comparable if the similar aspects are presented in the same way and the different aspects are presented differently. An exact representation of a relevant economic phenomenon must have a certain degree of comparability, with an exact representation of a similar, relevant economic phenomenon of the reporting entity.

Verifiability: assures the users that the information represents exactly the economic phenomena that it intends to present. Different, informed independent observers reach agreement with respect to the fact that a

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description is an accurate representation. It can be direct and it makes reference to the examination of a value, or indirect, making reference to the investigation of inputs, (inflows), the recalculation of results, or other techniques, by the use of the same methodology.

Opportunity is that quality by means of which the pieces of information are available for the factors of decision making. Decisions must be made in time. The older the information, the less useful they are. It is only a certain type of information that can remain useful a longer time after the end of the reporting period.

Intelligibility is that quality by which the accurate classification, characterization and presentation of the information, make the information intelligible.

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