

Application of Accounting Economic Information in the Enterprise Management

Slavena Stoyanova

Department Economics and mathematical modeling, Konstantin Preslavsky University of Shumen, Bulgaria

Abstract: *Under the circumstances of increased market competition, functioning market mechanism and globalization of the economic processes, the management of the separate economic entities emerges as a more comprehensive and challenging process than ever before. The availability of sufficient, high quality and timely information becomes a key element for making appropriate management decisions.*

Keywords: *management decisions, accounting information, accuracy, intelligibility, relevance of the information*

I. Introduction

The competitive market conditions specific to the economic reality today put business management through many challenges. In order for an economic entity to survive and prosper, its leadership should take correct management decisions. It is believed that the informed choice (decision) is the better choice. When making management decisions, the mechanisms that operate in both national and regional economics, as well as in community and world economics should be analyzed in depth.

The present economic conditions considered in terms of enterprises forced their leaders to review their activities and priorities. Uncertainty and instability (economic, political and financial) put managers in a situation where they need to make decisions which to ensure the balance between risks and profits. Taking adequate measures - financial, operational, decisions related to corporate governance and risk management, would lead to improvement in the enterprise condition and purposeful growth. Undoubtedly, in order for these measures to be adequately implemented and these processes to be properly managed, reliable information is required.

II. Necessity of Information Assurance of Accounting and Governance. Key Features of Accounting Economic Information.

Management is always implemented as an information process, i.e. the process of receiving, processing, storage and use of information. The information used by managers at national, regional and local level is crucial when making appropriate management decisions affecting the present as well as the future development of economics and in particular of individual enterprises.

Nowadays, the necessity of information assurance of accounting is conditioned by the increased market competition as well as by the need of obtaining regular information on expenses so that the efficiency of the enterprise as a separate economic entity could be analyzed. The management of the enterprise requires a direct link between accounting at top management level and the related with this internal processes, i.e. the management needs accounting information.

The accounting economic information is being created within the enterprise. Its source is the implemented business activity. The accounting information reflects the state and the alteration of the management objects (at a particular time or for a set period of time) and it covers approximately two-thirds of the total economic information. It is intended mainly for servicing of the current functions of economic management. The accounting information ensures the feedback process in the management process where the management receives information regarding the state and alteration of the management objects.

The accounting economic information is created by the statistics, by the operational and technical accounting and by accountancy, i.e. by various forms of business reporting. The basis of the accounting economic information is accountancy and the information produced by it. This statement is confirmed by the fact that accountancy creates about three quarters of the total volume of accounting economic information. This fact testifies the crucial importance of accountancy information in the system of accounting and governance.

III. Specifics of the Information System of Accountancy as a Separate Part of the System of Accounting Economic Information

As a separate part of the system of accounting economic information, the information system of accountancy has a number of specific features which differ it from the other two types of business reporting - statistical reporting and operational-technical reporting. If statistical reporting is a system for monitoring, studying, measuring and control of mass social phenomena and processes and if the operational-technical reporting is a specialized reporting system for obtaining temporary, immediate and operational information intended for servicing of the current enterprise operational management, *then accountancy is defined as a system for receiving complete, detailed and comprehensive information about the property and financial status of the enterprise, i.e. about the currently available funds, fund sources, the financial result, the alterations in the property status.* The information system of accountancy characterizes the enterprise property and financial status both in a static aspect as well as in a dynamic aspect, outlining the variation of this state over a certain period of time. *Specific (distinctive) features of the information system of accountancy* as part of the business reporting are the following:

- *comprehensiveness and completeness of the information* - information is obtained about all sites subject to accounting;
- *mandatory use of the monetary (value) indicator* - makes it possible for diverse and complex economic objects to be summarized;
- *strictly documentary accounting ensuring*:
 - reality and objectivity of the created information;
 - legal credibility of the implemented business activity;
 - control over the economic phenomena and processes;
 - possibility for determination of the responsibility of financially liable people;
 - creation of conditions for proper storage of enterprise possessions;
- *individualizing accounting* - each economic phenomenon or process is characterized by strictly individualized in quantitative and qualitative aspect, which in turn allows obtaining of accounting information not only about the scale of the phenomenon, but also about the time, the place and the resulting liability;
- *strictly systematic and continuously implemented accounting* - the information about the objects under review shall not be summarized chaotically, randomly, disorderly and unsystematically but in a strictly determined order allowing the achievement of certain alignment, systematization and mutually connected reflection of individual data;
- *accounting using a specific methodology* - accountancy applies a scientifically-established system of mutually connected methods for achievement of accuracy, continuity, completeness, orderliness and analytics when reflecting a business activity;
- *functional differentiation* - accounting is carried out by a separate management unit inherent to each enterprise;
- *legal regulation* - based on existing regulation, the legislature determines the accounting objects and their characterization.

The outlined features of accountancy reporting in their entirety and interdependence ensure provision of information about:

- ✓ enterprise property status with a view to its preservation and efficient use;
- ✓ the achieved results of a separate accounting unit;
- ✓ the aims of internal and external control;
- ✓ implementation of analysis of the economic activity.

Accountancy creates information characterizing the economic activity of the enterprise. This information is summarized and systematized in the annual financial statement of the company and through its publication it reaches all parties concerned - users of accounting information. *The users of accounting information* in turn, are divided mainly into:

✚ *external users of information*:

- *investors* – in their capacity as individuals who have provided the capital with which the entity operates, they are interested in the level of effectiveness of the enterprise business activity and based on this, they make a decision whether to buy, keep or sell their shares;
- *creditors* - they are interested in the accounting information related to the ability of the enterprise to return the funds invested in it and the corresponding interest (if any);

- *commercial counterparties* (enterprise customers and suppliers) - the generated accounting information allows them to determine to what extent the enterprise is able to adhere to its commitments outlined in the signed commercial contracts;
 - *Government* - the Government and its agencies use the accounting information in the development of the state tax policy as well as in the analysis and conclusions regarding the entity's ability to open new jobs in the territory where it operates;
 - *public* - the public is interested to what extent the enterprise can carry out its activities using local suppliers of goods and services and to what extent through sponsorship, it could assist local authorities in implementation of social programs.
- ✚ *internal users of information:*
- *management of the enterprise* - the management uses the accounting information for monitoring and analysis of the activity of the enterprise, for assessment of its ability to generate cash in future as well as for the development of plans and projections regarding the nature of the implemented business activity;
 - *staff* in its capacity of users of the financial statements information is interested in the stability of the enterprise and in the extent to which the management will be able to pay salaries, social and insurance payments.

The aggregated and synthesized in the financial statements accounting information satisfies the common needs of most users when making management (mostly investment) decisions. Negative aspect of the information presented in the financial statements is that it is based on already implemented transactions and events which significantly reduces its usefulness in regards to the development of forecasts of the future development of the enterprise.

IV. Qualitative Characteristics of The Accounting Information And Its Influence on Management Decisions

The information that senior management receive needs to be clarified in terms of accuracy, reliability, timeliness and ability to guide to action. Furthermore, it should be high quality and objective. These qualitative characteristics of the information are directly aimed at accounting information and accountancy as a subsystem of the enterprise management system. The quality of accounting information depends to a large extent on the requirements for accuracy and objectivity. They result from [1]:

- ✓ documentation as an obligatory accounting requirement;
- ✓ the requirement of conformity with the law and expediency of the enterprise processes and operations in using the assets and liabilities;
- ✓ compliance with the prescripts in the Accountancy Act for evaluation of the tangible assets, funds in foreign currency, the liabilities in currency, movable property and other similar possessions.

The accuracy and objectivity of the created accounting information is also guaranteed by the Independent Financial Audit Act. There is a requirement for registered auditors in the process of verification and validation of the annual financial statements to express an independent opinion as to what extent the property and financial condition of the enterprise is presented fairly in the reporting form [6]. This outlines the level of responsibility of the enterprise leaders towards provisioning of objective and accurate information to external users.

When considering accuracy and objectivity, it is important that objectivity is a principle of the systematic approach. The essence of objectivity is manifested by [1]:

- consideration of accountancy as a system of elements of its practical activity which exist in the time, which are connected to each other and mutually influence each other;
- creating conditions for making decisions about accountancy without any elements of subjectivism.

The reliability of the accounting information is guaranteed by compliance with *principles and requirements* such as:

- *clear, true and fair presentation* [2,5] - a clear presentation in accordance with the Accounting Act and the National Accounting Standards is required. This presentation is achieved through selected and applied accountancy policy which is consistent with the these regulation acts, as well as reliable presentation of the effects of operations, other events and conditions in accordance with the definitions and criteria for acknowledgement of assets, liabilities, income and expenses set out in the applicable accounting standards;
- *priority of economic content over legal form* - transactions and events should be accounted in accordance with their content, substance and economic reality and not formally based on their legal form [5];
- *neutrality* - the method of selection and presentation of the information in the financial statements should not influence the decision making process;
- *prudence (cautiousness, conservatism)* - it should not be allowed neither the economic resources of the enterprise to be overrated nor its liabilities to be underrated;

- *thoroughness (level of coverage of the accounting objects)* - by applicable accounting methods all accounting objects are being covered and metricized (specific funds and sources of funds).

The information is considered reliable if it is full, fairly presented and cleared from significant errors. The applicable National Accounting Standards state further that reliable information is the information disclosed in the financial statements, the information which is impartial and presents fairly the enterprise financial state, results of operations and cash flow [3,7,8]. The financial statements which through specially selected or incorrectly presented information intend to influence a decision or the assessment of an achieved result or consequence can not be considered reliable. Therefore, information which is not manipulated and / or "selectively" chosen and presented will be considered as reliable. Similarly, like applying "selective" ethics in management [4], the specially selected and presented accounting information leads to management decisions which in one case can be recognized as correct, and in another - as wrong.

The summarized and systemized accounting information presented in the financial statements has the following *characteristics: understandability, relevance, comparability*. The legislator points [7,9]:

- ✚ *comprehensible information* is the information contained in the financial statements required for making economic decisions by users who have knowledge in business and accountancy as well as the information presented in a clear and accessible manner;
- ✚ *relevant information* is the information contained in the financial statements which is necessary to the needs of users when making decisions and which is able to assist the evaluation of past, present or future events, to help users confirm or adjust their earlier assessments;
- ✚ *comparable information* is the information that allows users to compare the financial statements of a given entity from different accounting periods in order to identify the trends in its financial condition and the achieved operational results providing that the presentation, classification and methods of evaluation of assets, liabilities, revenue and expenses, the accounting of similar transactions and other events and conditions are maintained and applied consistently within an enterprise and throughout the subsequent accounting periods.

It is considered without pretending for thoroughness, that the accounting economic information will be useful for the management only if it has these indicated quality characteristics .

V. Conclusion

In the contemporary conditions of dynamic market relations, the current accounting information is crucial on one side when making timely management decisions, and on the other - for the early detection of deviations in processes and operations related to the turnover of the enterprise assets and liabilities and its influence is with the aim of amendment. The technology of accountancy and the requirements for speed, timeliness and efficiency of the accountancy as an activity influence too heavily the values of timeliness as requirements for the quality of accounting information. In this regard, guidelines for opportunities for updating of the accounting information are sought in the enterprise accountancy. One of them is shortening the time between its emergence and its presentation to the management team. The indicated opportunity is realized through the application of modern computer equipment and new software solutions for analysis (programs for automated recognition of typical behaviors, parameters, algorithms for problem solving). Assessment and modification (where necessary) of the main key performance indicators of the enterprise in accordance with market conditions are sought. Thus, the accounting information will help the management to be structured in a way that it will be effective, i.e. the management to be able to foresee and adequately respond to market instability. In the process of management decision making, the information is useful only when it is timely, reliable and accurate.

Acknowledgements

The publication is funded by the project RD-08-107 / 2016, paragraph "Science research", Konstantin Preslavsky University of Shumen

References

Chapters in Books:

- [1]. I. Dushanov, M. Dimitrov, Course in enterprise accountancy, six essential revised edition (Sofia: Romina, 2008) 34-41
- [2]. V. Filipov, New accountancy legislation, book first, (Sofia: Publishing complex "labour and law", 2016) 88-89
- [3]. A. Svrakov, B. Brezova and others, New accountancy legislation, book second, (Sofia: Publishing complex "labour and law", 2016) 39-41
- [4]. R. Zlateva, The project – strategic and ethical foreshortenings, (Shumen: University press „Bishop Konstantin Preslavsky 2015) 127

Laws, standards, directives and regulations:

- [5]. Accountancy Act
- [6]. Independent Financial Audit Act

- [7]. National Accounting Standards
- [8]. Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC of the Council
- [9]. Regulation (EC) № 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards.