CORRELATIONS CONCERNING THE ASPECTS OF CORPORATE GOVERNANCE AND THE USERS OF FINANCIAL – ACCOUNTING INFORMATION

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Abstract:

Nowadays, the concept of adding value for the shareholder knows a growing enthusiasm and this the more it knows the pressure of the shareholders regarding the continuous spread of the corporate governance concept, which came from the United States.

The specialty literature and the practice offer a lot of possibilities of terminological designation of this concept, part because of the different translations of the Anglo -Saxon expression of "corporate governance".

The concept of "corporate governance" has developed from the agent theory which refers to the relationship between investor/ shareholder and manager/ administrator. And the problems that appear with that, and then extending to the whole range of relationships between all of those involved directly or indire ctly in the enterprise's activity, taking the concept from its narrow sphere of the micro -economy in the more width one of the macro -economy.

In general, in an agency relationship, the leaders are mandated to enterprise any action according to the shareholders interests. Never the less, at the same time, they dispose of specific administration competences of which the shareholders are deprived of and have better information regarding the enterprise and its environment. This asymmetry of information allows the managers to orientate the enterprise's administration according to their interests, which can differ of those of the shareholders.

Keywords: corporate governance, the informational asymmetry, the agency relationships, financial market, shareholder, stakeholder

JEL Classification: M49

INTRODUCTION

This paper has tried to present the main correlations concerning the aspects of governance enterprise and the users of the financial-accounting information, withholding here elements that concern the concept of corporate governance, represented the system through which enterprises are lead and controlled and informational asymmetry. This phenomenon knows an extension at the level of all the relationships between managers and external users of the financial a nd accounting information. and the existence of the possibilities to attenuate its effects through accountancy, this offering enterprises the possibility of communicating on the financial market of all the necessary information for the users in order for them to evaluate the profitability perspectives.

The social accountancy together with the audit, correlated, offer one of the few mechanism through which organizations can combine the new conceptions of accountancy, like social corporate accountancy and social responsible accountancy and the concept of corporate governance as a successful model of business concentrated o stakeholders. Stakeholders represent those organisms and categories of persons with major interests in the deployment and results of the en terprise's activities, which if taken into consideration by the managers have a major impact on the organization's performance.

The importance of the corporate governance for the development of the capital markets is uncontestable. Thus, a series of resea rches (Brown, Lawrence, Caylor, Marcus - *Corporate Governance Study: The Correlation between Corporate Governance and Company Performance,* Institutional Shareholder Services, 2004) show that enterprises with a good corporate governance, measured in coefficients such as CGQ have financial performances with 18,7% up to 23.8% bigger than those with a weak corporate governance, according to the type of financial market where they are listed.

THE CORELATION: INFORMATIONAL ASYMMETRY/THE AGENCY RELATIONSHIPS

The informational asymmetry is a new problem in the Romanian economical and financial field, but is reflected, just as it is in the countries that have been up to this concept for a longer period of time, mainly in the agency relationship, as managers - shareholders, or managers-creditors, this phenomenon knowing an extension at the level of all the relationships between the managers and the external users of the financial and accountant information, therefore diminishing his effects through accountancy.

Thus, accountancy offers the enterprises the opportunity of communicating the financial market all of the information necessary for the users in the process of evaluating the profitableness of their perspectives, the forces manifested on this market rarely all owing the publication of full information.

The study of the financial markets starts from the hypothesis that all public and private economic agents know at one time all of the information available on the market, this being the ideal case of the efficient market in the financial theory. The non-compliance with this hypothesis translates into informational asymmetry manifested through strong, semi-strong and weak efficiency of the financial markets.

The appearance of the informational asymmetry is generated by the existence of the agency relationships, this being defined in the vision of Jensen and Meckling, as a contract in which at least a person called "principle" has appealed to the services of a person called an "agent", to fulfill, in his name, a certain task, which implicates a delegation of decisional nature of the agent. This type of relationship inducts an informational asymmetry because of the fact that the agent has certain knowledge or information unknown and inaccessible to the principle, and the principle tries to control and observe the agent's behavior, to know the way his business is administrated, observing that every principle is trying to maximize his interest in the down-size of the other one, thus creating a conflict.

THE CONCEPT OF ENTREPRISE GOVERNANCE AND ITS MODELES

The enterprises governance groups the entire range of mechanisms that aim the solving of an agency problem, therefore the conflicts of interests between shareholders and leaders as well. It may be a control effectuated by the administration council, of an attractive remuneration system, of the shareholder's activeness or of the financial market's pressure through the public offers.

Two big enterprise's governance models have emerged in the specialty literature:

- the shareholder type, where the control over the opportunist behavior of the leader is exerted in an external manner throughout the market;
- the stakeholder type, where, the main objective is to defend the interests of both participant sides (shareholders, employees, those that are responsible with the work ceased by a main entrepreneur, clients, the environment, etc.).

The corporate governance concept is based on the assurance of a fair treatment, un-discriminatory for all the investors, accomplished through a set of principles as: access to the enterprise's information (those with a public character not the confidential ones) and the transparency of the decisional act (assured though the participation at the general ordinary and extraordinary gatherings).

In defining the concept, a short synthesis of the most important clarifications can contain the following:

- the corporate governance is the field of the economy that studies the manner in which enterprises can become more efficient by using institutional structures like constitutive acts, flow charts and the legislative casement this field being limited in most cases to the way in which the shareholders can assure and motivate the enterprise's directors, so they can get the expected benefits from their investments;

- from the Organization for Cooperation and Economical Growth - OCDE, point of view, the corporate governance is the system through which enterprises are lead and controlled, as a result of norms, traditions and behavior patterns developed by every legislative system. In detail, it refers to the way in which rights and responsibilities are divided between the participants to the enterprise's activity, like the Council of Administration, the managers, the shareholders and other interest groups, also specifying th e way in which the decisions are taken for the enterprise's activity, how the strategic objectives are defined, which are the resources used to reach them as well as how the financial performances are monitored. Thus, the concept is seen as having two side s: the behavior one (which refers to the way the enterprise's managers, shareholders, employees, creditors, clients and suppliers, the state and other groups of interest inside the enterprise's general strategy interact) and the normative side (which ref ers to the set of regulations in which these relationships and behaviors described above fit in - he law of the commercial societies, the law of real estate and of the capital markets, the law of bankruptcy, the law of competition, requirements for quotati on on the market etc.);
- the World Back defines the corporate leadership as being a set of laws, norms, regulations and conduit codes adapted voluntarily, which allow an enterprise to attract human and material resources necessary for its activity, offering it as well the possibility to run an efficient activity that will generate value on long term for the shareholders, groups of interest and for the enterprise as whole. In the same opinion, the corporate governance refers to promoting rightness, transparen cy and responsibility at the enterprise's level.
- Shleifer and Vishny present the following definition, where the corporate leadership refers to the way in which the fund suppliers of an enterprise are assuring themselves of the fact that they will receive the rightful benefits from their investments.
- International Federation of Accountants - IFAC defines corporate governance as a number of practices of the Administration Council and of the executive management, used with the purpose of assuring the strategi c action directions, the fulfillment of the goals, the management of the risks, and the responsible use of the financial resources.
- in the French specialty literature we encounter the expressions " gouvernement d'entreprise" (the governance of the enterpri se, in communicates of the OCDE or in authors like Gomez, Marois, Bompoint, who are leaned towards a juridical approach) and „governance corporative" (corporate governance, in author such as Perez, Pollin, who are more marked by the economical and financia l dimension of the problem).
- in the Romanian literature (the press or the specialty literature) we can identify more than one expressions that signify this concept: "corporate governance" (Financial Week, no. 47, 06.02.06), "unit trust governance" (in the context of establishing the unit trust principles – The International Audit Standard no. 260 - "the communication of the audit aspects to those responsible for the unit trust", p. 2, dec. 2004). Also, we can find in practice the term of "enterprise's govern ance" (the qualification norm 2130 in the professional norms of the internal audit – www.cafr.ro).

In the year 1999 there have been elaborated the OCDE principles regarding the corporate administration, which are today t he only set of unanimously world wide accepted set of principles, which are recognized as one of the 12 basic piers of the international financial stability, these principles of the OCDE serving as a reference point in the making of a national collection o f codes regarding the corporate governance. They are concentrating first of all on the publicly marketable enterprises, approaching as well problems regarding the enterprises with a large number of shareholders, but which are not listed, some aspects regar ding the administrators of small private enterprises and the administrators of public enterprises being useful as well.

These principles refer to the following situations:

- the rights of the owners and their protection (the right to dividends, the right to be informed regarding the decisions that have a major impact on the enterprise's life, the right to participate and to vote in general meetings, the respect for their right pre -emption);

- the equitable treatment of all shareholders, including the minoritar y and foreign ones;
- the role and the rights of the stakeholders – it is about the role of the employees, the creditors, the suppliers and of the clients in the enterprise's administration, which must be respected as it is defined in the national legislatio n;
- the transparency of the information and their prompt release (reporting to the shareholders of all the current, financial, administrative, extraordinary activities regularly, in full and at time, correctly, etc.);
- the responsibilities of the Council of Administration and of the executive leaders (the number of members of the Administration Council, number of independent members, their appointive, revoking, remuneration etc.).

The principles have been enounced extremely general, leaving it up to the count ries the possibilities of applying them and giving a bigger or smaller importance to some of the aspects, it is specified that they do not wish to impose a universal model of corporate governance, but the tendency on the long run is to advance to global st andards.

THE IMPORTANCE OF THE FINANCIAL AND ACCOUNTING INFORMATION IN THE ENTREPRISE GOVERNANCE

Inside the concept of corporate governance, a central place is taken by the transparency of the financial and accounting information, because it is the basi c of any decisional process and must support different categories of users in choosing between optimal solutions, it's a explanation vector, but also an anticipative one. For this, the financial and accounting information must have a certain quality, which can be appreciated by the time t take for the information to get from the remittent to the user, its rhythmicity, accessibility, actuality, relevance, credibility, comparability, etc. Quality and prompt financial and accounting information contribute to t he efficient administration of the enterprise and to the growth of its market value. But, in administering an enterprise, the main actor is the manager, him playing a key role in giving the enterprise's value, also capable to influence its repartition. The manager's decisions are a condition of the enterprise's performance, but also the wealth of the shareholders, and in the situation in which they increase the enterprise's value; they will receive remunerations and other facilities accordingly, thus observ ing the manager's tendency to manipulate the financial and accounting information, thus the financial position of the enterprise and its performance.

Good corporate governance has as prime objective sending coherent signals to the financial market and to the investors. In matters of governance it is important to always have in mind the basic problem, that of the property and of the control, allowing us this way to continue studying the legitimacy of the governance problems approach from a different view tha n that of the shareholders. The shareholder represents the traditional category marked by the governance issues – he is the owner of the enterprise, but doesn't have control over his property, therefore comes into discussion the already reminded context of the agency theory. Even more, his extremely vulnerable position (especially in the case of minoritary shareholders) is given by the informational asymmetry that marks the relationships between shareholder and manager. Inside this vision based on the shareholder (which is of Anglo- Saxon manner) we can identify several elements:

- the actors of creating and redistributing value are the shareholders (actual and potential ones), the financial creditors and the managers;
- all of the contract with the capital brin gers are signed by the manager;
- the corporate governance system is resumed to two external mechanisms, the financial market ad the manager's market, and to just one internal mechanism, the administration council, which can act over the manager by motivatin g him with superior remunerations or, on the contrary, by substituting him
- the other actors have an auxiliary role, especially in influencing the parameters in which the agency costs are established;
- the only criteria of efficiency for the system's evaluat ion are the bourse value.

Numerous opinions come to criticize today's shareholders vision, by giving an important role to other partners of the enterprise (especially the employees). This alternative vision is a "continental" one, characterizing the loan based economies, and it is desired for it to be coherent with concepts such as knowledge based economy, social responsibility, human capital.

CONCLUSIONS

As a final reflection, regarding the governance system of the enterprise, a couple of ideas have the vocation to present a special ring in the chain of governance and that is *the audit* in a wide sense, as manner in which the enterprises are lea and controlled, the importance of this ring being demonstrated by the resounding cases of world financial frauds, in the first part of the decade 2001-2010, eloquent being the Enron case. Thus, in the analysis of the audit, we must take into consideration the different ways aimed by an optimal process of audit (internal versus external), its place in the governance system passing through the study of the audit committee's role as a organizational structure generated directly by the administration council.

According to the definitions presented during the paper, I can conclude that, "the government of the corporation represents the rule and normative system either of an institutional or a market nature, in which take birth or are being watched diverse categories of stakeholders, shareholders, management, public administration, depending personnel, consumers and so on. This definition is being completed with the express objective indicated by the "Principles of Corporate Governance" of the OSCE (1999) of "Insuring the strategic leadership of the society, the effective control of the management on behalf of the trust council and the loyalty of the associates".

Therefore, it is clearly shown also the tight bond between the corporate governance and the well functioning of the competition on the market. The transparency and the protection of the minorities are for not only a fair repartition of the risk within the economical activities domain of the entity, but also a fair functioning of the market, in the complex way: this must provide powerful mechanisms, depending on which the leading departments will act in favor of the shareholders, maximizing the economical value of the enterprise.

In conclusion, we can state the fact that the corporate governance means more than generating positive relations wit the public, underlining the enterprise's commitments towards the ethical principles.

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