

SPECIFIC FEATURES ABOUT COMMUNICATION AND THE IMPORTANCE OF THE ANNUAL FINANCIAL STATEMENTS IN THE PROCESS OF COMMUNICATION

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*„Communication is a deed of nature. When we have succeeded to reach a communication, the way it was conceived from the start, we are talking about an action of culture”
Goethe*

Abstract

The quality of communication and dialogue, both in the process of production and of using the accounting products, depends on the culture, more specific on the accounting culture, in the position of crucial vectors in the economical – social system, with impacts in the group behavior, both inside the system and in the relations between the systems. The annual financial statements represent a social system of information, intensified by a practice of many centuries, in order to fulfill the quest of information for those using the information, requests determined by social and political stakes.

The varied socio- professional categories build and use in a total different manner the annual financial reports of an industrial unit. Due to the fact that their demands and the interests are contradictory, it is necessary to create standards to establish a common language in order to describe the accounts, financial operations in the evolution of the industrial unit.

The structural elements of annual financial statements are actually the means to facilitate the conveying of information required by the users.

The image of the annual financial statements influenced by the need of knowledge and administrative management become communicational ground both within the industrial unit and among the external relations, becoming the main source of supplying the national statistics as well as of the economical politics of the state, providing the useful information for adopting the chosen strategies.

Keywords: *communication, financial communication, accounting information, the annual financial statements, financial decisions*

1. INTRODUCTION

The problem of the annual financial statements that represent the basis of this paper is an important subject, a topical interest, constantly tackled in the present talking on a nationally and internationally level.

The annual financial statements represent the fundament for publishing the accounting information, the basis for determining the conditions an industrial unit develops its activity and grows in time and a fundamental tool for adopting the economical – financial decisions at the level of managing the industrial unit.

The paper tackles, like in any other matter, the special position possessed by the annual financial statements on the whole of the economical informational system.

The international experience has proved that the main factors which influenced reaching the economical success or any kind of improvement and which divides, according to its performances, countries, fields of activity, companies and other organizations are mainly the management, the technologies and the ability to smartly use the human and informational resources. No natural or social system cannot function without the exchange of information, both within the system, between its components and between the system and other external organizations.

2. MATERIAL AND METHODS

The major financial statements are designed to provide a picture of the overall financial position and performance of the business. In order to provide this overall picture, the accounting system will normally produce five major financial reports on a regular recurring basis. These financial statements, taken together, provide an overall picture of the financial health of the business.

It says that who has the information has the power, and the way that it gets from the receiver is communication. From an accounting point of view, the communication is represented by financial statements, which are regulated by IASB through IAS 1. Its objective is to prescribe the basis for presentation of general purpose financial statements, to ensure comparability both with the entity's financial statements of previous periods and with the financial statements of other entities.

The financial statements must present the information in a manner that helps a user assess the liquidity of an entity's assets and liabilities, in a manner that portrays a cohesive financial picture of an entity and is comparative and consistent from one period to another, for helping investors, creditors, and others understand an entity's financial position and changes in that position and use that information to assess the amounts, timing, and uncertainty of an entity's future cash flows.

3. RESULTS AND DISCUSSION

The notion of „communication” has many acceptations (meanings):

- according to the explanatory dictionary, the following meanings are being associated with this notion: notice, report, to bring something to somebody's notice, etc, the common sense being that of to inform, to notice, to make known or to be in relation with..., to have a connection with..., to bring to...;
- sociologically talking, this notion signifies the fundamental pattern of psychical - social interaction between persons, made in the articulated language or through other codes, in order to convey a piece of information, to obtain stability or some individual or group behavior changes.
- according to the definition given by François Gondrand, communication is a process by which a piece of information is transmitted through a transmitter to a receiver;
- communication is a feature of lively systems, more specific of those complex systems, like the human society
- communication is a complex fact, that ensures the representation of reality, starting with data that are organized and selected and that are processed in intelligible information, through a speech (language);
- Celine Michailenco defines communication as a stable connection between two partners through a means of transmission that allows the exchange of information symbolized between those correspondents.
- the management of an industrial unit presents communication as a galvanized element of the managerial process and, at the same time, a condition of an organizational and motivational climate, in accordance with the achievement of the objectives.

In the case of the accountancy, we are talking about an accounting communication or financial communication, in which the connection is established between the industrial unit, as a transmitter of information and those interested in it, in the position of beneficiaries of information or receivers. Thus, the annual financial reports represent the main means of conveying information, the spread information being obtained as a result of the representation of the industrial units' economical situation by using a specialized language (technical notions), specific rules and principles.

The accounting information and the financial information for the external side of the industrial unit are being supplied through the financial communication.

According to the French writer J. Durand , the accounting information is considered to be a means of communication that has a message and a code, in which the addressee must be able to decode the message.

Other opinions about accounting communication consider it an en masse (in a body) communication by which different categories of beneficiaries obtain information about the industrial unit or its development.

Appealing to one of the sides that characterize the status of accountancy, that is the art of transmitting financial information, information that define the affairs of an entity and is directed to a wide range of users, first of all to the investors and the managers.

Recurrently, the existing investors, as well as the potential ones, demand information, required then by the managers to accounting experts, in order to better know the resources of the entities subordinated to them, these information facilitating the estimate of the manages' leading performances..

The accounting information is raised with the help of a specialized language, of rules that allow to code and decode the represented dates, the language and the accounting rules providing the clear and intelligible representation of the economical state. Thus, the use of accounting information within the financial communication may be verified in the case when the receivers use it to understand the economical state of the industrial unit and to take decisions.

In order to present the objectives of the annual financial statements, we have first resorted to conceptual accounting frameworks, that appeared during three significant moments of the evolution of the accountancy, in the last fifteen years.

1. **American accounting framework**, the result of the American accounting medium meditation in a time (1973 – 1985) when they search the investment of accountancy with objectives to approach the information through their significance to the decisions about the investments, the financial resources and the operation activities of an industrial unit, a fact that meant the creation of a means to allow the working out of strong accounting standards.

The first statement, out of six, from „Statement of Financial Accounting Concepts” is entitled: “ The objectives of the financial informatization published by the industrial units” and presents the great challenges of the American accountancy starting with the '70' s: the role of assistance accountancy in the process of taking economical decisions, the importance offered to the investors in their position of using information, the investitures rather use the cash – flow information than the final result information in their standards of taking a decision and the Financial Accounting Standard Board (FASB) didn't hesitate to acknowledge „the virtues of this type of information”.

2. **The international accounting framework**, also called Framework for the Preparation and Presentation of Financial Statements, was published in July 1989, inspired from the essence of the American accounting framework, but being specified by the fact that it “ doesn't want” to address only to one category of users (more specific the investors, the way its “predecessor” did), but to a wide range of users and that indicates its “more social” nature. According to this framework, the objective of the financial statements is to provide a preview about the financial position, the performances and the development of the corresponding financial state of the industrial unit.

3. **The British accounting framework**, also called Framework for the Preparation and Presentation of Financial Statements, being published in December 1999. This framework represents the most subtle process in terms of conceptualizing the accountancy on an international level; at the same time, it is the beneficiary of both the previous meditations of the American and international entities of normalizing, and the British entity' struggles for normalizing (ASB), for improving the hole framework of its referential.

According to the first chapter of this framework entitled “The Objective of Financial Statements”, reference is made to the persons for whom the financial statements are made, those people's information and the position rhea financial statements possess within the accomplishment

of those necessities. In simple words, the purpose of the financial statements is to provide useful information for those related to the subject

Thus, the aim of the financial statements is to provide information about the performances and the financial position regarding the entity or reports, information that must certificate their use for a wide range of beneficiaries, within the examination of the management style, assured by the management of the industrial unit and within the process of taking economical decisions. The financial performance of an entity regards the profits they obtain from the resources they audit, they refer to the components of these benefits and to the features of these components. As regarding the financial position of the entity, this includes the economical resources that it audits, its financial statement, its liquidity and capacity to adjust to the changes in the area it operates.

The role of the annual financial statements comes from their objectives, that are very varied and that require a thematic analysis.

To reach its objectives, the financial statements are worked out according to the commitments accountancy. Thus, the elements of the transactions and other events, are acknowledged when the transactions and the events take place (and not as the cash or its equivalent is collected or paid) and are registered in accountancy and reports, in financial statements of the due (corresponding) period. The financial statements worked out according to this principle offer the beneficiaries information both about the past transactions that involved payments and cashing and about the payment obligations that are going to be made in the future and about the resources regarding the future cashing.

According to Lauzov, the most significant objectives to influence the quality of information from the annual financial statements are those that regard the involvement of the external users and more specific of the investors and creditors, providing the information useful for taking decisions about the way the industrial unit is watching and considering the completion of the protection for the invested money.

This information is for the users able to understand the information presented in the annual financial statements and possessing the required knowledge.

Although the information required by the beneficiaries are varied, each having a different interest, a fundamental objective of the financial statements results and that is to offer information about the financial position, the performances and the changes of the financial positions of the industrial unit, changes that are useful for a wide category of users in the process of taking decisions. The main purpose of the financial statements comes from the fact that the economical decisions taken by the users of the financial statements, require the examination of the industrial unit's capacity to offer cash or its equivalents and examination of the period and the safety of its offer. Essentially, on that relies the industrial unit's capability to pay its employees and suppliers, the banking interests, to reimburse the loans and to pay its owners.

According to the Trueblood Report, made in 1971, by the committee entitled by the American accounting organization, a list of *objectives* has been established:

- to supply information useful for taking economical decisions;
- to supply information useful to estimate the economic activity of the industrial unit;
- to supply information in order to evaluate the cash – flow and the potential one (for the investors and creditors);
- to supply information in order to evaluate and compare the performances of the industrial unit (its ability to produce profit);
- to supply information about the manner of efficiently administrate the industrial unit's resources;
- to supply information about the activities of the industrial unit, that may be described and evaluated.

FASB appreciates that the summary documents must offer useful information for the decisions taken by the investors and creditors, although admits in the Trueblood Report the necessity of supplying information also towards other beneficiaries: managers, state, employees. It is

also specified that the information from the summary documents is aimed to help those who want to evaluate the affair and is not pointed towards a direct use in the process of estimate the affair.

IASC (International Accounting Standard Committee) that became International Accounting Standard Board, as a result of an accounting strategy and managerial reformation, mentions that the information contained in the annual financial statements (the summary documents) have the following *objectives*:

- the checking of the business's administration;
- the determination of the industrial unit's ability to pay those who took part at the activity
- the estimate of the guarantees offered by the industrial unit;
- the establishment of the period to invest the money ;
- the settlement of the dividends;
- the determination of the economical, commercial and fiscal politics;
- the establishment of the industrial unit's welfare (of one country) and taking decisions for the use and distribution of the national resources

As the IASB Council estimates, almost all the beneficiaries take economical decisions in order to:

- to decide when to buy, to keep or to sell a money investment;
- to estimate the responsibility or the administrative management
- to estimate the industrial unit's ability to pay and offer other benefits for its employees
- to estimate the guarantees for the credits offered to the industrial unit;
- to determine the taxing politics;
- to determinate the profit and the dividends that can be distributed;
- to elaborate and use information about the national income;
- to regulate the activity of the industrial unit.

The objectives of the annual financial statements are different from country to country, in accordance to the importance given to different categories of users, more specific the external and internal users (those who are also the producers of the annual financial statements, as possessing a trump in favour, comparing with other external users).

Two *problems* related to the annual financial statements are considered by David Cairns:

- the objectives of the financial statements should emphasize the loyal image of the financial statement, its performances and the modification of the financial position?
- should the objectives of the financial statements emphasize the results of the management or its responsibility for the manner in which the resources are used?

To conclude, we may say that the objectives of the annual financial statements depend on the users' needs and those may be synthesized in three categories:

1. objectives regarding taking economical decisions. Thus, the economical decisions taken by the beneficiaries of the financial statements require the examination of the industrial unit's ability to generate cash or its equivalents, of the period and the safety of its generation.

2. objectives regarding the introduction of a report in order to evaluate the future treasury – flows. According to these objectives, the information about the performances of the industrial unit is useful to anticipate its capacity to generate treasury -flows, using the existing resources and to state the judgments about the industrial unit's efficiency to use new resources.

3. informing objectives about the financial statement of the industrial unit, its performances, the debts, the solvency, the financial liquidity, exigibility and flexibility.

To obtain a loyal image about the financial position, the performances and changes of the financial position represent the main purpose of the accountancy. To achieve such a desideratum does not always suppose the focus on details, but more specific their inclusion in a global image, that comprises the real life and the prospects of the whole.

To decide efficacious and in a correct manner means to be all the time informed, and the working out of the economical decisions and equally, the assessment of the past activity, are being essentially grounded on the accountancy information, and the structures and the inclusion of

information alike taking thus place in the synthesis documents and accountancy reporting (in the annual financial statements of the industrial unit).

4. CONCLUSIONS

To conclude, we may say that the annual financial statements are a structured financial representation of the financial position, and the transaction made by the industrial unit; their general aim is to offer information about the financial position, the performances and the cash - flow of the industrial unit, useful for a wide range of users in the process of taking economical decisions, the annual financial statements also presenting the results of the administration of the resources entrusted to the management of the industrial unit.

The importance of the annual financial statements, its functions, the sources that form the basis of the information useful for their elaboration establish their elaboration in certain purposes, at certain periods.

In different situations imposed by the legal settlements, the information from the annual financial statements are being supplemented by financial or non financial information presented in different documents related to:

- foreseeing accounts, aimed at informing about the expectations of the industrial unit (example: in the case of considering a banking financing of a financing through different other authorities or organizations)
- the protection of the environment, in order to emphasize the advantages and prices from the industrial unit, all related to the environment (example: in the case of obtaining different notifications and environmental licenses);
- the human resources for knowing the quantitative potential of the human resources of the industrial unit;
- the technology, the products of the industrial unit for estimate the innovation struggle, inventions of the industrial unit, for the registration of the trade or commerce mark, in order to register the licenses and inventions.

The needs of different users have determined many disputes in the accounting literature, among which – considering the singleness of the annual financial statements – it was sustained the elaboration of many series of annual financial statements:

- aimed at serving the juridical concept to be a model of the accountancy for the shareholders;
- economical, to be dominated by the concept of the economical reality (the annual account of the groups of societies);
- fiscals useful for determining the fiscal result
- „fiscal and social balance sheet for the information regarding work and the staff;
- foreseeing inclined towards the needs of the investors and creditors, subjected to the examination according to the treasury – flows given the examination according to the historical costs;
- to serve the administrative interests of the management of the industrial unit (analytical accountancy).

The features of the accounting informational system, regarding their connection to the economical decisions may be thus structured :

- the accountancy quantifies the economical activities registering the dates related to them for a following use;
- the dates are being stored and then processed in order to become useful information;
- The information is being communicated through reports (accounts) of the decisional factors.

The objectives of the informational system is to offer the managers information useful for controlling the process of adopting decisions and efficiently run the activity of the industrial unit.

The starting point accepted by most of the authors who have analyzed the economical function of the accounting information bring together opinions that consider that the main function of the accountancy is to provide the information that would loyally present true and fair the financial position, the performances and the changing of the financial position, in a state and shape as useful as possible for those using the accounting information in order to solidify the decisions.

The technologies of information and communication have a more efficient part within the industrial unit, and this is why I considered necessary presenting in the first chapter the tendencies in the field of informational and communicational technologies and also the consequences for the accounting informational system.

The objective of an accounting system is to provide financial information about the analyzed industrial unit. Those pieces of information are aimed at the financial statement and the performances of an industrial unit are being directed to the users for taking decisions. The accounting information is the raw material for the financial analyst or, on the whole, of the economical – financial analyst.

The accountancy provides the required language to transpose the activity of an industrial unit in a way that facilitates the businessmen to adopt the economical decisions, being the connection between the investor and the activity of the industrial unit, the similar speech of the businessmen. By the activity they develop, any businessman has a certain financial purpose and for accomplishing it, it is imposed to employ this language and to continue improve it.

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