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THE ROLE AND PLACE OF ACCOUNTING INFORMATION IN THE DECISION-MAKING SYSTEM

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Abstract: *The results and performance of an enterprise are the result of the decisions taken by the management of the entity, decisions which are the result of a complex procedure of processing and analyzing the relevant data and information provided by the information system available. In other words, appropriate and correct decisions that lead to the achievement of the objectives and attainment of higher performances are dependent on the quality and quantity of the information. Consequently, accurate information generates correct decisions. Due to of its qualities (relevance, intelligibility, credibility and comparability), accounting information occupies a very important place in the architecture of the economic information system, having the highest degree of certainty and providing the possibility of an accurate representation of economic phenomena and processes, both at micro, as well as at macroeconomic levels. Hence, we can say that the "final outcome of accounting", namely accounting information, is one of the most important pillars of the elaboration, substantiation and decision-making process. Starting from this premise, this article aims to capture the main features of accounting information, which qualifies it as the object and the subject of the management system.*

Keywords: ***information system, accounting information, management system, decision-making system***

1. **Introduction**

From our perspective, the whole evolution of human society is the consequence of the human being's vocation to progress and the constant desire for knowledge. Thus, the great philosopher of antiquity, Aristotle, considered that "men possess a natural desire for knowledge" [1].

Rational knowledge of reality as a process of thinking and as the basis of development and progress is the result of the collecting, processing, analyzing and interpreting the information provided by the environment. Therefore, the level of knowledge of an object, phenomenon, process, activity etc. is given by the volume and quality of the information continuously accumulated and transmitted about the object / process. As a consequence, we can argue that INFORMATION means KNOWLEDGE, and knowledge in itself represents the foundation of human evolution. The phrase "***whoever holds the information, holds the power***" is well-known. Information as a source of knowledge can be regarded as the r***aw material*** with which the manager works.

This is all the more evident nowadays, when the whole society experiences an undeclared war with its own resources, and the only inexhaustible resource called to resolve this conflict is ***information***, as sociologist Alvin Toffler said, "decisions create resources" [2].

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1. Accounting Information

1.1. Accounting Informations – Fundamental Concepts

It is obvious that in an increasingly mercantile society, the economic side of any activity becomes essential for all actors involved, and the speed of reaction to decision-making on problem solving and the achievement of objectives is essential (colloquially speaking, "time is money"). That is why we consider that the economic information has a central, extremely important place within the *Information System*.

Moreover, good knowledge of the reality in general and of the actual situation of the enterprise's business, in particular, is strictly needed in order to successfully cope with the economic, even social life of the society. Thus, we appreciate that accounting information is economic information, largely responding to the information needs of the organization's top management for decision-making and substantiation.

Accounting information is the ***"final product"*** of accounting, resulting from the processing, through specific methods, processes and tools, of economic data, used to reflect the patrimonial situation regarding the position and financial performance of the entity under analysis. The essential role of accounting information in taking economic decisions resides I its high degree of objectivity, as the data is precise, real and complete, enabling the management of the entity to efficiently benefit from the content of the information.

The essential place that accounting (accounting information) occupies within the economic information system is given by the fact that through specific means and procedures it offers [3]:

- clarifications on the company's past and present;
- guidelines on future strategy;
- pertinent market-oriented analysis;
- limiting the random field in decision-making;
- solutions and motivations for the decisions taken.

Compared to the other components of the economic information system, accounting has the following features:

- it includes only means, resources, processes and results that can be expressed in monetary benchmark;
- it presents the entity's assets in terms of the actual existence, materials (means) as well as of the abstract source (resources);
- the recording of any operation is done only on the basis of documents;
- expressing operations through a monetary benchmark enables the centralization and generalization of information, which brings it closer to the concept of true image;
- it systematically and chronologically presents all changes in the structure of the patrimony.

Accounting information can be considered a "mass" consumer good being employed by a multitude of users to influence their behavior [4]. The information requirements imposed by users require the achievement of the accounting performance objective stipulated in the provisions of the Fourth Directive of the European Economic Community (current EU), which states that the purpose of accounting for an enterprise is "to provide summary documents that offer a true image of the patrimony, financial situation and outcome".

1.2. Characteristics of Accounting Information

The quality of accounting information is represented by the relevance and true representation of economic processes and phenomena it refers to. These attributes are enhanced by the degree of comparison and by the timeliness of the accounting information, as well as by the fact that it needs to be verifiable and comprehensible.

Furthermore, according to the provisions of the *Accounting regulations on the individual annual financial statements and consolidated annual financial statements*, approved by OMFP 1802/2014, the fundamental qualitative characteristics are **relevance and exact representation**.

1.2.1. Relevance:

Information is relevant when it stands out, underlines important and essential aspects that the users take into account during the decision-making process. It is valuable both as confirmation and as analysis of the past results, having a predictive value on which future decisions are based.

The predictive value of the financial-accounting information is give by the fact that it can provide users with a set of relevant data used to develop the entity's plans and strategies and to predict future outcomes. Financial information cannot have predictive value unless it is ***certain***. Users employ predictive financial information in order to make predictions, but they are not predictions in themselves.

The predictive value and the confirmation value of financial information are closely related. Thus, accounting information is used as a basis for future predictions, as well as fo confirmation/information of past prognoses. The results of these comparisons can help users correct and improve the processes under analysis.

Another aspect of the relevance of the information is the ***materiality threshold***, which refers to nature or size, or to both the nature and size of the elements to which the information relates.

1.2.2. Exact Representation:

Exact representation implies the presentation of economic processes and phenomena in a complete, neutral and error-free manner.

A complete presentation implies the inclusion of all the information necessary and sufficient for a user to understand the phenomenon described.

The neutrality condition of accounting information implies that it is not distorted, weighted, accentuated, unaccentuated or manipulated in order to become biased. In other words, it is forbidden "to tamper with" accounting information in order to achieve a favorable/unfavorable reaction form the users.

The fairness of the information is given by an error- and omission-free representation of the phenomena, while the process used to generate the reported information has been selected and applied without error.

In addition, the usefulness of the relevant and precisely-represented information is amplified by the existence of the following qualitative characteristics: ***comparability, verifiability, opportunity and intelligibility.***

a). The ***comparability*** of accounting information is more useful if information can be compared to similar information about the entity at a different period or date, or with accounting information about other entities.

b). Verifiability helps to ensure that the information is exact and faithfully represents the economic phenomena that they intend to represent. Verifiability refers to the fact that the information is an exact representation of reality.

c). Opportunity refers to the information that is made available to decision-makers so that they can make decisions in a timely manner. Generally, the older the information, the less useful.

d). Intelligibility arises from the users' need to understand the content of the information provided.

The quality of accounting information is also characterized by the following attributes [5]:

• ***Pertinence*** - the information provides solutyios in a given situation;

• ***Timeliness*** – the information presents recent events;

• ***Accessibility*** – the information is made vailable depending on staff training, means of communication, storage means, etc.;

• ***Reliability*** – the information provides a real representation of an event / object;

• ***Age*** - is represented by the time passed since the information is collected until the decisions taken on the basis of the information have been implemented.

• ***Speed*** – the time it takes the information to travel from the issuer to the receiver;
•***Frequency*** - represents the rhythm of information, according to the number of information of the same type in a time unit.

2. The Role of Accounting Information in the Decision-Making Process

Practically, the main responsibility of a manager is to develop and adopt decisions. The Explanatory Dictionary of the Romanian Language defines the decision as *"1. the decision taken after examining a situation, 2. the solution adopted for a problem, 3. the choice between two or more solutions"* [6].
According to the Romanian economists I. Ionaşcu, A. Tiberiu and M. Stere, decision is a process of *"transformation of primary information by a decision-maker into actions within an organization or part of the organization"* [7].
Given that the decision is the direction of action, and the success is represented by achieving the proposed objectives, it is dependent on the ability to collect, process, analyze and interpret information. Transforming and capitalizing on information is a fundamental pillar of the decision-making process. It is said that any problem has a solution. that is why we consider extremely important to achieve objectives through the most economic, efficient and effective courses of action, while tailoring decisions according to the information provided by the system.
The results obtained by any economic system depend on the quality and timeliness of the decisions taken by the management of that system and the speed at which it acts to eliminate the causes of any problems.
The quality and efficiency of managerial decisions are given by the way decisions are elaborated and substantiated, i.e. by the quality of the decision-making process. In the opinion of the renowned scholars Ch. Horngren, M. Datar and M. Foster, *"the decision-making process involves collecting information, taking into account future costs and benefits, choosing an alternative, acting in agreement with that choice, and evaluating the results"* [8].
Consequently, we can argue that making correct decisions is dependent on the quality and quantity of information provided by the economic information system. As shown above, accounting information plays an essential role, due to a number of arguments, such as: the vast majority of information which circulates in an economy is of accounting nature, and offers the possibility of accurate representation of economic phenomena and processes and have the highest degree of certainty [9].
N. Feleagă also states that *"the common view of the opinions of different authors and accounting bodies regarding the main objective of financial information is to be useful to different users in the decision-making process"* [10].
In the decision-making process, the decision-makers are dependent on information since they set the objectives until they choose the most favorable course of action. The obvious need for information has many explanations, including [11]:
- the need for a full interaction of the firm with its environment;
- the need for a stronger customer relationship;
- the need to remain competitive in the current business environment;
- demonstrating the ability to create and manage knowledge.

The undisguised desire of any manager to continuously improve the performance of the entity he or she is conducting requires the elaboration of development plans and strategies, the viability of which is largely driven by the quality of the information on which they are based. Information is also extremely important in the process of identifying and managing potential risks that may occur and which may have adverse repercussions on reaching the set objectives.
The role and importance of accounting

information for decision-makingcan be represented as shown here **(Figure 1):**

Figure 1: Accountability as information system for economic decisions
Source: the author

6. Conclusions

All in all, we can conclude that the accounting information, through the content and high degree of certainty, is undoubtedly "the raw material" without which it is practically impossible to adopt decisions that are economic, efficient and effective for any given activity. This is also confirmed by the fact that, according to recent studies, more than 60 % of the bankruptcies were caused by wrong financial decisions.

As the main source of any management system, accounting information provides decision-makers with a series of financial indicators regarding liquidity, solvability, profitability, whose dimension and evolution represents the starting point in choosing the proper course of action for future activities.

Moreover, the economic information in general and the accounting information, in particular, is distinguished from other information circulating through the information-decision circuits in that they occur, are manifested and used in the activity carried out at all organizational levels, having a pronounced scientific and technical character. The knowledge it provides means mastery and provision and constitutes the basis of a competent and prompt intervention in organizing and directing of the whole activity, in the process of managing the patrimony and the systematic exercise of the control over the execution of the decisions.

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