Available online at www.sciencedirect.com
SciVerse ScienceDirect
Procedia - Social and Behavioral Sciences 62 (2012) 531 – 535
Procedia
Social and Behavioral Sciences

WC-BEM 2012

Accounting and extra-accounting information - valences in meeting the financial analysis

Bran (Stan) Nicoleta-Cornelia[a] *, Mărgărit (Stănescu) Sorina-Geanina[b], Coman Denisa Mihaela[c] , Drăgulescu (Ghiţă) Rodica[d]

[a,b,c,d] *Valahia University of Targoviste, 35th Stancu Ion Street, Targoviste, 130105, Romania*

Abstract

The purpose of this research is to provide pertinent findings to improve the relevance, accuracy and understanding of accounting and extra-accounting information, to be used by the financial analysts, aiming to be a starting point in research, without exhausting the subject. The objectives of this research focused on four main issues: general information about respondents, data regarding on the use of information, identification of financial statements used by respondents, information on financial analysis.

We choose as primary data collection the method based on survey using a questionnaire sent by email.

Keywords: accounting information, extra-accounting information, financial analysis;

1. Introduction

The financial statements connect the producer and the user of accounting information, and have an important role in supporting the process of decision making. The purpose of this research is to provide pertinent scientific findings to help improve the relationship between accounting and financial analysis, but also to improve the relevance, accuracy and understanding of the information from financial statements that help the managers in taking current and strategic decisions.

Accounting information is situated at the overlap of accounting and financial analysis. This affirmation is sustained by the terminological change introduced by International Accounting Standards Board (IASB) in the generic names of the standards it produces, from International Accounting Standards (IAS) at International Financial Reporting Standards (IFRS).

In a scientific paper, is mentioned that “accounting theory is, on a hand, a normative theory which states what practices should be, looking for their standardization, and on the other hand, aims to meet various informational requirements of the users, accounting information having no sense unless it meets the various categories of users” (Epuran M., 2004). Thus, in the table below we present the main indicators monitored by the users of accounting information.

* Bran (Stan) Nicoleta-Cornelia. Tel.: +040-0762-622-245
E-mail address: bran_nico@yahoo.com

1877-0428 © 2012 Published by Elsevier Ltd. Selection and/or peer review under responsibility of Prof. Dr. Hüseyin Arasli
doi:10.1016/j.sbspro.2012.09.087

Table 1. Main indicators for accounting information

Accounting information users	Financial / non-financial indicators followed
Investors	Profit, Dividend yields, EVA, PER, MVA, Enterprise sustainability
Management	Efficiency indicators, Indicators for assessing the business performance Enterprise sustainability
Banks / Financial creditors	Solvability, liquidity, cash-flow, trust
Clients	Quality of products and services, delivery terms, VA of the client.
Employees	The level of salaries and non-cash benefits, job security, professional opinions, working conditions, moral satisfaction.
State	Lack of overdue payments

Source: Own processing

Multiple authors consider that the relationship between financial analysis and accounting focus on accounting as a privileged source of information for the financial analysis. However, there can currently be observed an "emancipation" of financial analysis regarding its sources of information. According to the preliminary document regarding the conceptual framework of Financial Accounting Standards Board (FASB) – IASB, 2006, financial reporting, the role of performance analysis is fundamental, because it-s overall objective to serve the decision making process.

The financial analysis is not limited to a simple description of facts. The main purpose of financial analysis is to translate and explain the enterprise reality, in order to underlie the decisions on resources allocation. By treating, processing and interpreting accounting information, the financial analysis permits the assessment of actual status and the identification of track progresses of the enterprise consistent with the economic, social and political environment where it is active (M. Niculescu, 2003). Financial analysis is above all a science of interpretation, and its approach intertwines with accounting, without confuse them.

The production of accounting information and financial and economic performances analysis evolved in time - so that financial analysis should be based both financial and nonfinancial criteria. Financial analysis is undergoing a renewal process by the emergence and integration of a new component - the extra-financial analysis. Financial analysts use extra-accounting information regarding the strategy of the company, the organization, commercial function and personnel information. This extra-accounting information is valuable because they result from press releases, analysts' reunions, management statements in media, etc. The challenges of extra-accounting analysis come from the lack of practice uniformity in the field, from the absence of international rules, the existence of very few extra financial indicators normalized. Therefore, these extra-accounting information are much less reliable compared to the accounting information and must be used with caution.

Passing from "accounting" to "analysis", information is a step required by the different vocation of the activities. The essential vocation of accounting is to determine a fact, while the financial analysis vocation is to formulate an appreciation regarding the state and performances of the analyzed company (M. Niculescu, 2003).

A well organized informational system, with relevant indicators for management, calculated on the basis of correct and real information, achieves an important role, both the company and the users. In addition, the resulted indicators from the financial analysis "will serve to the elaboration of a diagnosis of productivity, risk and value". (I. Stancu, 2002)

Cohen argues that "a proper financial analysis doesn't mean only a reliable calculation of indicators or a impeccable presentation of tables and diagrams. It must identify the significant financial characteristics of the enterprise, and eventually to prioritize them, before the assessment of the situation, of the activity and the lucid anticipation of development perspectives". (E. Cohen, 1990)

The sources of accounting information must be completed with extra-accounting information in order to develop forecast information on performance and risk.