ACCESS TO QUALITY INFORMATION IN THE FINANCIAL STATEMENTS AS A BASIC FACTOR FOR BUSINESS OPERATIONS

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Abstract: *The permanent monitoring of the dynamics and condition of the assets, capital and liabilities, as well as the revenues and expenditures in practice is done through the preparation and presentation of the financial statements. It is also known that managers and other users on the one hand and business entities on the other, establish their communications by offering data and information in the form of balances and notes attached to them. The interest of the users, above all, is the perception of the financial and non-financial data, i.e. financial position and performance that are characteristic of a particular enterprise.*
Namely, the knowledge of accounting financial indicators and their practice leads to the achievement of a positive financial result, as well as improvement of the current and future operations. In the future, this would be an increase in capital and a higher profit.

Keywords: *balances, information, improvement, entity, success*

INTRODUCTION

The aspiration of every owner or manager is accomplishment of the planned goals and tasks of the company. Analyzed from an economic point of view, the main task is an increase in property and greater success in the work. To achieve this, it is necessary to achieve a rational organization and a modern accounting information system that will enable fast and accurate data and information on all economic and financial transactions.

Namely, the availability of complete financial information enables maximizing the profit and achieving greater efficiency and effectiveness in the operation. Also, the reasons for the correct and improper allocation of resources, implementation of an action for acceleration of a certain activity, greater control of the operation and other activities and tasks are perceived.

Accordingly, financial reporting in today's conditions of business represents a powerful factor for business communication between enterprises. This means easier realization of the set policies and planned activities.

This confirms the importance of the financial statements that contribute to the successful realization of the strategic goals of the business entities.

In fact, the 21st century is the century of information. In that sense, we can emphasize that through these on-balance sheet presentations and notes that contain certain financial and non-

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financial information, it is possible to determine market criteria without difficulty, to design future plans, to provide funds, etc.

Therefore, it is constantly pointing out the need for the preparation of relevant, objective and standardized financial reports. Ensuring quality financial reporting will enable evaluation and valorization of the overall achieved success in the operation.

Hence it follows that the utilization of resources and the achieved results by the employees in the company, expressed in the value indicators in the financial statements, help for more economical use of the funds and greater responsibility in managing the processes for achieving higher overall results.

"The temporal and spatial dimensions, i.e. the possibilities for comparability of the size of the used and spent means with the achieved results are essential strategic goals in the period of perception of the problems related to the realization of the principle of continuous operation and activity of the business entities on the market of production and capital market ", (Zdravkoski, 2007).

Accordingly, the procedures and objectives of the financial statements, analyzed from an economic and reproduction aspect, imply the comprehensiveness in the assessment processes and the measurement of the results inherent in each market economy.

1. NEW ACCESS TO THE OPERATIONS AND DIMENSION OF REPORTS

The safest source of data and information about the operations and the results of companies is certainly the accounting information system. Its main goal and role is the processing and presentation of transactions that create changes in assets, capital and liabilities, as well as changes in the entity's income and expenditures. The financial statements are a product that arises through the process of measurement and valuation of accounting positions.

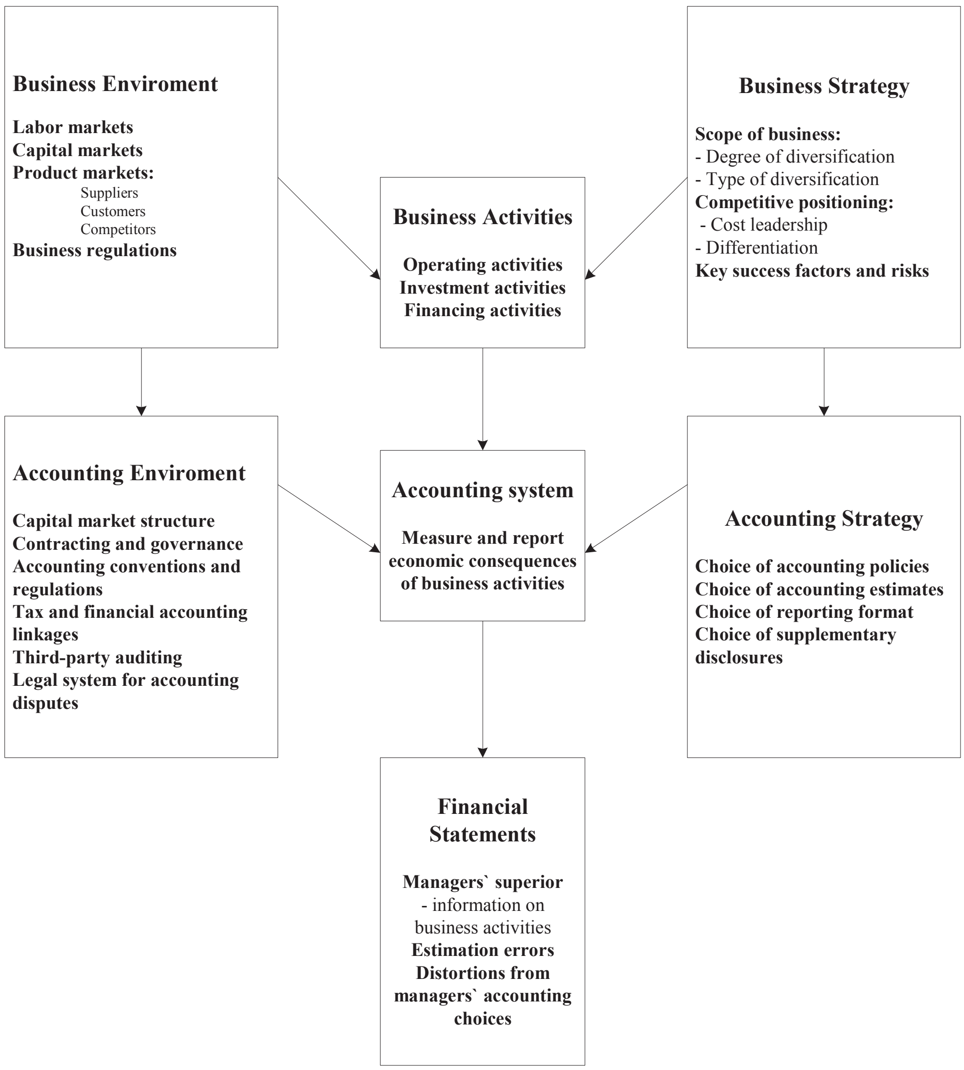
Namely, the set of financial statements besides informative, has a binding aspect.

Financial statements (balance sheet, the income statement, the cash flow statement, the statement of changes in equity and the statement of accounting policies), are the basis for a wide range of business analysis.

Here we can emphasize the subject and content coverage, as well as the dimension of the operation of the financial reviews. This means that the results of the operations that we read in the balance sheets are constantly influenced by various changes and trends (social, political, legal, sociological, economic, etc.).

Certainly, the impact is reflected in the environment of business, accounting theory and practice, defining individual positions and items, and so on. The application of this information about the operation is a rational indicator in the relations in the execution of the economic processes. All this leads to changes in the way of work. Change is in the existing mode of production with a more productive and more dynamic activity of the factors of production, greater insight and dynamics in the management, etc. There is a new way to successfully deal with the problems that arise, like additional education of qualified personnel and creation of top managers. Meeting the need for transparency and timeliness of data and information in the financial statements for the users is a basic factor for building a sound financial architecture and successful implementation of the accounting and financial policies of the business entities. "As shown in figure 1 a firm`s financial statements summarize the economic consequences of its business activities. The firm`s business activities in any time period are too numerous to be reported individually to outsiders. Further, some of the activities undertaken by the firm are proprietary in nature, and disclosing these activities in detail could be a detriment to the firm`s competitive position. The firm`s accounting system provides a mechanism through which business activities are selected, measured, and aggregated into financial statement data", (Palepu, Healy, & Bernard, 2004).

Figure 1. From Business Activities to Financial Statements



Source: (Palepu, Healy, & Bernard, 2004).

Also, in order to contribute to the realization of the performance of the financial statements, the accounting information system should be permanently upgraded, updated and maintain the principle of continuity. Data and information generated by AIS are the basis and integrated information base for financial reporting. "A capitalist economy relies on a competitive private sector capital market. Information is an important part of the capital market infrastructure. Good financial reporting is essential to create investor confidence in the fairness of the capital market so that savings will be channeled into productive investments. In addition, good information leads to better investments decisions and capital allocation, both of which are socially beneficial. The corollary is that bad financial reporting has the opposite effect. Advocates of regulation question if companies can really be trusted to report fully and accurately. In fact, the competitive nature of the capital market could even induce misleading reporting, at least by some companies during the short terms. Therefore, regulation of accounting is both necessary and in the public interest to prevent some companies from bad or misleading reporting. This is counterargument to the notion that a competitive capital market produces good voluntary reporting through signaling incentives", (Wolk, Tearney, & Dodd, 2001).

2. CONCEPTUAL FRAMEWORK AND OBJECTIVES OF THE FINANCIAL STATEMENTS

The requirements for quality financial reporting of certain organizations and individuals, as well as harmonization and standardization of the accounting system have caused the emergence of international accounting standards. The direct connection of enterprises from different parts of the world further emphasized the need for a unified financial reporting. Of course, many countries have their own national accounting standards with which they worked. This necessitates the harmonization of international standards with national standards.

According to international accounting standards, the financial statements form part of the financial reporting process. They are produced and presented to external users of many companies around the world. Although such financial statements may look similar in many countries, there are still some differences. The regulations in each country determine the manner and form of the preparation and presentation of the financial statements.

Therefore, the study and differentiation of the different forms and procedures of the financial statements is for their standardization and application through comparable and measurable data such as reports from companies from democratically developed countries. When a company prepares financial statements for its own internal use, it can do it in a variety of ways and with its most used models. But if the preparation of the financial statements is for external users, then the balance sheets need to be prepared according to the international accounting standards i.e. International Financial Reporting Standards.

"The purpose of the financial statements is to provide information on the financial position, the success and changes in the financial position, the success and changes in the financial standing of businesses to a wide range of users in making economic decisions (Frame, 12). Such decisions include for example: the decisions related to the acquisition, holding or sale of investments in the principal, the ability of enterprises to pay and give other preferences to their employees and the reliability of the amount borrowed by the enterprise", (Cairns, 1998).

The framework contains the objectives of the financial reporting, i.e. the financial statements, the principles, the qualitative characteristics from which the useful information is pulled.

“By design, the FASB’s Conceptual Framework is stated in broad terms and is not context-specific. Nonetheless, the Conceptual Framework, with context added in particular financial accounting standards, leads to tests of specific null and alternative hypotheses regarding relevance and reliability. Value relevance studies use various valuation models to structure their tests, and typically use equity market value as the valuation benchmark to assess how well particular accounting amounts reflect information used by investors”, (Bart, Beaver, & Landsman, 2001).

Namely, they are: factual events, comprehensibility, comparison, completeness, relevance, reliability, caution, continuity of work. The need for financial reporting stems from the objectives of this type of notice, which are reflected in the Objective of Business Report review. It is prepared by - the American Accounting Financial Association Standard Board - AAFASB, and the financial reporting framework is precisely defined in order to provide information that will be used to make decisions in business economics decision-making.

3. CHALLENGES OF USERS OF FINANCIAL INFORMATION

The owners of capital as significant users of financial information evaluate the results of the companies according to the amount of the realized profit, the amount of the dividend, bypassing the concern for one's own interest, the interest of the company and the need for sustainable development and continuity of the company. This only confirms the role and importance of financial statements when making decisions by management, shareholders and other users. Also, the balance sheets are subject to criticism from both internal and external users in order to improve financial reporting.

Accordingly, feedback is generated which increases the attention to which the financial statements are exposed. Any positive criticism is a direction for an improved form when reporting is either periodic or annual.

In this way, the use of financial information by users in management procedures, as well as in evaluating results for a certain period of time will be enhanced and improved. As users of these reports are current and potential investors, employees, suppliers, lenders, creditors, government and government institutions, the public and others. They use financial reports to meet their information needs.

Namely, many authors define the financial statements as reports that report on: the financial position, cash flows, assets, liabilities, principal, and the success of business entities.

Thus, investors or individuals who invest a certain capital are concerned with the risk that is inherent in such conditions of market and competition, as well as the return of those investments.

“Information required for many (perhaps most) investment and other decision include expectations about micro and macroeconomic changes, such as the supply and demand of alternative products and services, local and general economic activity, price level changes, and the effect of past, current, and expected political and social conditions on the enterprise`s inputs and outputs”, (Benston, Carmichael, Demski, Dharan, Jamal, Laux, Rajgopal, & Vrana, 2007).

“Investors and creditors usually find information about an entity’s past financial performance helpful in predicting the entity’s future returns on its resources, which will be its future financial performance”, (Lennard, 2007).

Certainly there are employees who require information about the stability of their employers, their profitability, the possibility of rewarding and improving the conditions in which they work. But, they are also interested in the safety of their retirement and their rights. Interested users of financial information are also lenders.

Their primary goal is whether the loans will be repaid in a timely manner and whether the interest arising from them will be paid. They use them in deciding whether to extend a loan to client and to determine the loan`s terms. This confirms their financial stability and the possibility of continued cooperation. Suppliers and creditors need periodic information. The interest among these users is perceived as being in the possibility whether the amounts owed will be paid in due time. On this basis, it will be known whether business communication can continue. Also, buyers are interested in information about continuing the operation of the company, especially if the cooperation is established in the long run and there is mutual dependence, while the government and government agencies are interested in allocating sources of funds, as well as for the activities of the enterprise.

At the same time, their interest consists in determining tax policies, the need for conceptualizing statistical calculations and national announcements. The influence of enterprises on individuals in the public can be very different. Businesses entities with the right way of acting can contribute to the development of the local economy.

In fact, they improve the environment of management in many ways, providing employment for the population. Through the data in the financial statements, the interested (public) information is provided on the trends of development, the prosperity of the same, the current and future activities of the economy, etc.

Here we emphasize that certain users are satisfied with the data contained in the financial statements. But there are users who need additional information (methods of calculations, segments in the activity, effects and consequences of inflationary movements etc.).

Therefore, many companies prepare special reviews (prospectuses) where they list additional information that is not contained in the balance sheets.

Namely, the management of the enterprise is obligated to inform the interested parties. This is observing the principle of publicity. But it is also a user of these accounting and financial reports. His interest is mostly perceived in the planning, decision-making and control.

In fact, after the publication of the financial statements, they become transparent and represent the main source of data and information for the business entities on a national and international level.

4. THE APPLICATIONS OF STATEMENTS TO DECISION CONTEXTS

The qualitative features of financial reporting can be seen through: understandability, relevance, reliability and comparability. Namely, the user's easy understanding is needed not only for users who have sufficient knowledge of accounting, financial and other business activities, but also for all other users. It is a priority for those who want to study the information in the financial statements. There are also complex issues where certain users have a problem with their comprehension, but that does not mean that they should be omitted when making economic decisions. The information needs to be relevant i.e. to have a quality of importance and to influence the economic decisions of the users.

“The order of importance assigned by the FASB between trustworthiness (faithful representation) and relevance is both revealing and very important.

It is revealing because the CF does not recognize that all numbers presented in financial statements are relevant for some purposes that are important to enterprise owners, among other users, particularly for stewardship. Financial statements provide evidence that the resources entrusted to managers have been accounted for and a useful (though not definitive) indication of how those resources were used. For example, although the original amount expended for a building less depreciation is not its economic value (value in use) or market value (value in exchange), it does account for resources expended to purchase the building and an estimate of the amount of that cost assigned to accounting periods over the building's useful economic life (a crude and at least not easily manipulated measure of economic user cost).

The usefulness to financial statement users of the numbers presented in financial statements can and should be improved. However, if the result is numbers that the users cannot trust, if they have reason to fear that the numbers were manipulated to mislead them, then those numbers are not relevant. Untrustworthy numbers are inherently irrelevant, at best. Worse yet, users might believe untrustworthy numbers to be trustworthy.

Numbers that are not grounded in actual market transactions that can be audited for veracity usually are not trustworthy.

Historical cost and liability numbers can be made more relevant by converting them to current values when those amounts are trustworthy and are more meaningful then the historical numbers. For example, marketable securities can be restated at their ask prices, since by holding those securities the enterprise is, in effect, selling and repurchasing them. Purchased inventories that will be replaced (and, by the time the statements are published, often were replaced) can be restated at their replacement costs. Differences between the initial purchase price and the current replacement costs would be reported as holding gains or losses.

Level 3 fair values rarely would qualify as trustworthy numbers, since these usually depend on estimates of net cash flows and discount rates that are readily subject to manipulation by opportunistic managers", (Benston, Carmichael, Demski, Dharan, Jamal, Laux, Rajgopal, & Vrana, 2007).

This qualitative feature allows users to assess past, current and future events, or to confirm or correct their past estimates. Of course, the information about the previously made success and the financial condition is the basis for the forecasting and the forecast of the future success. For example, forecasts of the value of the income statement are more secure if the extraordinary, unusual and sluggish income and expenditure items are published separately. In certain cases, the significance of information stems from their nature, and in another, it is not so. Notification of the entity's new part may have an impact on the risk assessment, regardless of the significance of the results achieved by the new section for the reporting period. In another case, the nature and significance of informing, for example, the quantity of stocks within each of their main species is also important. Significance also depends on the size of the item or the error of assessment. It represents a threshold or point of delimitation, while security of information gives another sense of usefulness.

If the information has no mistakes and reliably displays what they are listed then they have quality security. This is emphasized by the fact that certain information may be relevant, but at the same time unreliable in the presentation that would lead to wrong decisions. Therefore, in order to maintain security as an important quality, information must faithfully and accurately display transactions and events. In order to confirm the quality financial reporting, the information needs to reflect the essence and the economic reality, and not only to comply with the legal form and design. “But evidence from the practical use and evolution of financial reporting should not, perhaps, be simply discarded. Most preparers and users of financial statements do so for a purpose (and not merely to comply with regulation, important though the role of regulation is). It is possible that the shareholders who demand regular credible financial reports and the management who agree to provide them information are acting irrationally, but it is not plausible”, (Lennard, 2007). The quality of the financial statements is perceived and in the possibility for users to compare the indicators between one enterprise or multiple business entities. They should be able to recognize the differences between accounting policies for similar transactions, to compare periods of operation with one or more enterprises, etc. It is therefore confirmed that greater compliance of international accounting standards (international financial reporting standards) leads to greater comparability in financial reporting.

CONCLUSION

In the paper, I emphasize the importance of the financial statements as part of the financial reporting in the context of determining the real situation in the activities of the enterprises. In order not to manipulate the data and certain frauds in the financial reporting, we need to have a quality accounting financial system through which permanent control can be performed. To be sure, users in their decisions need to have a complete picture of the effects and results of business transactions on assets, capital, liabilities, and the dynamics of revenues and expenditures. Also, for losses from investors, creditors, etc. above all, we will emphasize the possibility of assessing the success of business entities, which is a major benefit for investment, management, planning and the future with enterprises. At the same time, there is an insight into the financial statements and an assessment of the timeliness and reliability of the effectuation of the work, as well as confirmation of the documentation of business economic transactions.

By the way, the reliability of the accounting information system is subject to constant re-examination in the direction of its improvement. Also, the balance sheets perceive whether the principles of liquidity, solvency and profitability, the principle of continuity and other principles are respected. Financial reporting should not neglect professional standards of conduct of themselves accountants - auditors - controllers.

Namely, the financial reporting provides conditions for greater accountability, both with the employees and managers. An attempt is being made to introduce novelties in the work, as well as eliminate suspicious transactions.

Practically, this determines the development path of each individual enterprise. Users have the opportunity to more easily assess the ability to create cash and cash equivalents. For the assessment of the quality of operations, it is necessary to know whether management has adequately applied the IFRS and GAAP. Have the production and sales improvements and other working phases that contribute to the increase in the financial result to the greatest extent?
From here, we can conclude that quality financial reporting is a motivating and encouraging factor for more successful operations and achieving better results in the interest of shareholders, owners and business entities. The economic and social well-being of all of us depends on credible and timely accounting information. Therefore, the improvement and creation of better financial reporting does not stop. There is always a need for upgrading and additional education, monitoring changes in the legislation, improving control of the work, building a higher awareness and conscience in carrying out the tasks set and creating trust between the parties.

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