



THE QUALITATIVE CHARACTERISTICS OF THE FINANCIAL STATEMENTS' INFORMATION

IONEL BOSTAN, VERONICA GROSU

Abstract

The qualitative characteristics are the attributes which determine the utility of the information offered by the financial statement. The four most important qualitative characteristics are: intelligibility, relevance, credibility and comparability."

The qualitative characteristics are those attributes of the financial and economical information, which give the latter its utility.

INTRODUCTION

According to the American literature, relevance and credibility are the fundamental parameters in recognizing and evaluating the information; relevance determines the use value or the utility of the information for a specific receiver, being a non- subjective notion changing with the user's change and decisions afferent to it. Credibility, in exchange, guarantees the absence of anomalies and errors, based according to the regulations and having a high- objectivity degree.

They are presented as a quality hierarchy, which connect the objectives of the financial reporting with the existent standards' requirements, delimiting the useful information from the less useful one in order to present them in the financial statements.

MATERIAL AND METHODS

The elaboration of this study was mainly done on studying international scientific articles and studies, made in the last years. For a more profound documentation, the legislative framework afferent to the American and EU.

RESULTS AND DISCUSSION

The information necessary to the user depends on the action priorities, interest for a certain statement or users' experience.

Intelligibility is a characteristic of the information brought to the financial statement which allows contributing in creating a common economical and financial language for all the ones who make the annual accounts and the economical-

financial information users, being necessary when detailing the information for every beneficiary category's own language.

The intelligibility is an essential characteristic of the accounting information, which makes it easily interpretable by the users, if they have enough knowledge concerning business and financial- economical activities, and also knowledge about accounting. In order to assure this characteristic, the ones making the financial statements and the users must base on this terms' comprehension both from the language point of view but also from the notion evaluation one.

The ones making the financial statements must start from the fact that the users have enough knowledge on economics and accounting, and they can accurately study the presented information.

Nevertheless, the information on complex problems, which should be included in the financial statements due to their relevance, should not be excluded just because they might be hard to understand for certain users.

Relevance is one of the fundamental parameters of the accounting information and refers to its capacity to influence the financial statement users in the process of decision making. In order to be useful, the information must be relevant because only in this case they can influence the economical decisions of the users, offering them in this manner the possibility to evaluate past, present or future events, confirming or correcting their previous evaluations.

The information referring to the financial position of the previous financial performances are frequently used on presenting and evaluating their position and future financial performance or other problems the users are interested in.

Relevant information referring to a certain element which must be recognized in the financial statement cannot be determined on its own, but must be evaluated in the main financial reporting objective's context, and that is to feed withuseful information to make decisions concerning investments, financing or exploiting.

Relevance is, therefore a primary characteristic of the quality the information supplied by the financial statements must have. The information concerning a balance sheet item must be relevant, when it is capable of influencing the economical use decisions, offering them evaluation of past, present or future events and confirming or correcting the previous expectations. Relevance is, therefore, the capacity of the information to make the difference in order to fundament the economical decisions of the balance sheet users. The accounting information can "make the difference" at various moments (periods), but are correlated to the decisional process: in the prediction stage, in order to foresee the future statements, financial and patrimonial of the entities (predictive value), in the confirmation stage, to control the previous economical decisions' results (feedback value). So understood, the relevance of the information presents an essential qualifying characteristic. The relation between the relevance of the accounting data and their utility in making decisions by the users, imposes among others an individualization of the characteristics the information must possess in order to be relevant.

Finally, the relevance of the information depends on its nature, but also on the quantity dimension, which is its significance. The relevance is the qualifying side of the significance.

Credibility (reliability) is another primary, qualifying characteristic of the financial statement. In order to be recognized in the financial statement, the information concerning the existence and size of an asset, liability, income or expense must be credible. Information concerning an element of the annual accounts is credible when they are presented fairly, checkable and neuter or when it has no errors or emissions, so that it can be prove to be useful for the users' economical decisions.

The credibility is a characteristic which informs the whole process of financial statement element recognition concerning the identification or the characteristics which allow defining an element as being an asset or a liability, but also the possibility to measure and evaluate defects. The credibility can influence the moment when an element is recognized in the financial statements.

Significance vs. Credibility

In order to make a comparison between the significance and credibility of the accounting information, the input requests are:

- opportunity;
- balance between costs and benefits;
- coordination of the quality characteristics.

Within the second level characteristics, according to the specialty literature, we have neutrality, prudence and integrity.

Neutrality- according to the International Standards; the neutrality of the financial statements is a principle which qualifies the reliability of the accounting information; by neutrality, we may understand "influence difference" on behalf of the ones making the financial statements. A balance sheet is not neuter, if when choosing or presenting an information it manages to influence a decision or a reasoning, in order to obtain a predetermined result; the criteria refers actually in the interdiction to use certain accounting policies which may advantage certain interest groups over others.

The principle is therefore perfectly coherent, compatible with the fact that the financial statements made according to the IAS/IFRS must fulfill the condition of "common information", destined to a non- distinct multitude (wide ranges) of users.

Neutrality is not found among the general principles of financial statements' editing of many countries, but instead is stipulated by the framework, where it is clearly written that "the financial statements must be made and presented for a multitude of receivers without serving or favor the interests or needs of certain groups"

Concerning the concept of financial statements' neutrality, it is necessary to highlight the development which already took place during several years in the international accounting doctrine, concerning the fiscal interference problem. The so-called fiscal involvement in the financial statements can be verified any time the fiscal regulations interfering in calculating the available basis impose to the taxpayer making adjustments in the annual financial statements' values, which are

not justified economically or financially. As a consequence, in the financial statements, by applying less the neutrality principle, are influenced several interests: on one hand, the interests of the Financial Administration, in order to avoid a detraction of the positive income values and a prudential evaluation for the negative values, and on the other hand the accounting norms used to inform the users, which include the entity's events, by an exclusive economical- financial logic.

Prudence- according to the IAS; the prudence consists in using a certain precaution degree in the discrete exerting of the ones making the financial statements so that they won't allow overestimating of the assets or incomes, or underestimating the liabilities or expenses.

The prudence principle can be defined, therefore, as a characteristic which brings a differentiation in approaching the qualifying characteristics in various situations. This principle is qualified by the IASB as a derivation of the accounting information credibility. Prudence assumes a significantly inferior importance compared to the national legislation. In the neuter system, prudence is among the general principles in editing, with a substantial autonomy compared to others.

According to the international accounting standards, the neutrality of the financial statements is the principle which qualifies the reliability of the accounting information and imposes an interdiction for certain accounting policies that may advantage certain interest groups compared to others. This demands certain implications over the financial statement making practices, such as:

- element evaluation must be made according to the prudence principle;
- only the profit at the annual statement closing date can be presented;
- must take into account the risks and losses afferent to the current annual statement, even if recognized after the closing date.

The prudential attitude imposed, in our case, by our legislation is explained by the inclusion, in the financial statements, of the losses that are even "supposed" or "possible", but not of the "expected" profits. Moreover, as a concept of the editing process, the accounting practice considers that an expense or an income can be considered as made when they are definitely quantified through an acquisition price or sales price.

According to the IAS/IFRS, in exchange, the various prudence principle conceptions allow recording in the balance sheet also the negative or positive components of non- realized incomes (e.g. *the fair value*). This means that income and expense recognition can be recorded previously of the moment of final making or sale.

Clarity: this principle can be considered as being one of the real, true purposes to make the balance sheet (along with the correct, fair representation), while for the IAS/IFRS it is only "an instrument of the accounting information's effective utility". In exchange, in the national area, this principle's application endowed with a strict respect of the balance sheet structures and schemata, and the profit and loss account. The direct relation between the clarity principle and the strict respect for the balance sheet schemata does not exist, in exchange within the IAS/IFRS area, where the schemata for the balance sheet and for the profit and loss account there must be presented a minimum of elements, leaving to decide

the ones who make the statements of they want to introduce additional items or sub- classifications.

Comparability

The need for comparability, of the financial statements must not be confused with the simple uniformity of the accounting information; the users must have the possibility to compare the annual accounts of an entity in time and space, in order to identify the financial tendencies and its performances. Also, the accounting information receivers must have the possibility to access financial statements of various entities in order to evaluate its financial position, its results and their variations.

The way to make the annual financial statements by common highlighting methods of the patrimonial and financial elements, from annual statement to another allows a greater competition and homogeneity between the resulted parameters, and as a consequence consents their comparison. The comparability of the lucrativeness and efficiency indicators is, in fact, a crucial aspect, and an extremely critical one in the possibility to use the information for a managerial purpose, if these are not approached correctly, at the moment, due to the great lack of certain abrogated normative references or consolidated and codified practices.

The information supplied is affected (or resent) the compulsoriness of various technical- accounting practices and the availability of the information from various entities; in certain cases favoring the feasibility of the highlighting compared to the theoretical fairness of the information, anyway trying to maintain the highest level allowed by the exactness and fairness in information construction.

Conclusion

According to the international financial reporting standards IAS/IFRS, the financial statements are a distinct informing instrument, prevalent to the current investments and also potential, fundamental in making the economical decisions. In the national accounting systems of the majority of the EU countries, the purpose of financial statements making is "the fair and correct representation", giving them the role to expose the patrimonial structure and the economical result afferent to the current annual statement, based on criteria capable to protect the interests of the creditor and associates by a prudential evaluation of the investments.

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