

Iulian Boldea, Dumitru-Mircea Buda (Editors)

**CONVERGENT DISCOURSES. Exploring the Contexts of Communication**

Arhipelag XXI Press, Tîrgu Mureş, 2016

ISBN: 978-606-8624-17-4

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## ASPECTS CONCERNING THE MANAGEMENT OF ACCOUNTING INFORMATION

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*Abstract: In a society of information, the most important resource is of course information. In economics, accounting is the main source of information for both economic entity and its partners. A performance management is achieved only through a pertinent and timely information of decision-makers.*

*In real situations, the accounting information identifies with financial-accounting data regarding the situation and transformation of assets, as well as economic and financial indicators of resources and outputs.*

*Accounting information is permanently transforming, addressing a wide diverse interest public. A good decision in accordance with the reality of the business environment is taken after analyzing the accounts. Therefore accounting information assumes a special importance in the decision process making by those in charge.*

*In this study we tried to achieve a general characterization of a company by assessing the financial position and performance and to lay out the role of the accounting information when it comes to making decisions.*

*Key-words: information, installments, current funding, financial autonomy, assets*

### INTRODUCTION

Qualitative information is a verifiable and useful one. Verifiable information is any information that can have checked sources. The useful information is aimed at direct economic information and is not necessarily required.

For IASC (International Accounting Standards Committee), the essential characteristics are: understandability, relevance, reliability and comparability. FASB (Financial Accounting Standards Board) gives importance to intelligibility accounting information, and ASB (Accounting Standards Board) considers the relevance and reliability.

The systemic approach allows defining the accounting as an information system presenting the economic and social phenomena in their interdependence; in this regard, accounting is considered to be a pool of resources (human, material, financial and otherwise) that enables the collection, systematization, processing, storage and disclosure of economic and financial nature, to fundamental decisions.

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British literature considers accounting as an essential element of the information system of an economic entity, based on the following arguments:

- Accounting information system provides administrators and external users of accounting information a synthetic image of the entire organization;
- Accounting information system links other important information systems of the organization (marketing, HR, production, R&D etc.), precisely because the information produced by these systems are expressed in monetary units and are accounted.

Efficient management of accounting information involves developing a complex information system, which maintains information flows both outside and inside the economic entity in order to obtain competitive advantages in terms of increasing information needs expressed by users. Because of its content consisting of digital data in terms of value, accounting information is characterized by precision, continuity, comprehensiveness and correlation.

Although the accounting information is intended both for internal users (executives and administrators) and external users (investors, creditors, tax authorities, regulators, employees and other groups), however, it is recognized that the information needs of investors and creditors overlap by not a few elements, the needs of other users, which is an elegant way to say that the two groups are not privileged.

## **MATERIAL AND METHODS**

The present paper is the result of the careful processing of information gathered after having taken into consideration a series of works acknowledged as relevant for the chosen topic, as well as the careful examination of the role of accounting information in assessing the financial position and performance of an agricultural company. The case study was conducted at S.C. Hortifruct S.R.L., Iasi County. Accounting data available to users of accounting information have been processed for a period of three years.

## **RESULTS AND DISCUSSIONS**

*Asset structure* characterize the composition of the company's economic patrimony in line with its more or less "capitalistic" character and its vulnerability to developments in inflation, highlighting the stability of funding and financial autonomy guaranteed by the company, the resources possessing various origins and maturities (equity, long, medium or short-term debts).

Based on accounting information found in the patrimonial assets, several installments were calculated including:

1. Fixed asset ratio can be considered normal, with values below the maximum level, falling by 6% compared to 2013, as a result of having a lower proportion of fixed assets compared to total assets.

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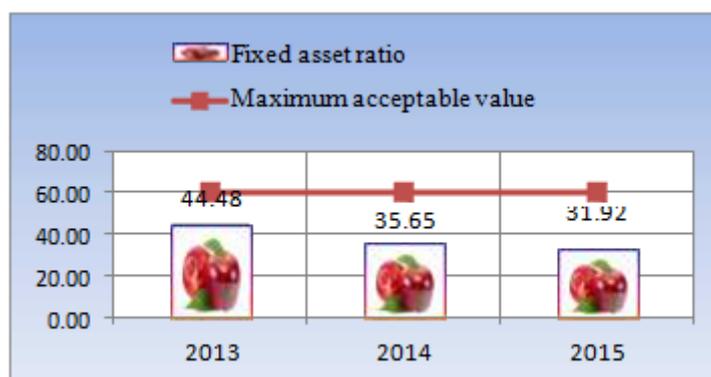


Figure 1 – The evolution of fixed assets ratio of S.C. Hortifruct S.R.L.

Due to the heterogeneity of assets' structure and the different reaction of its components at technical, legal, economic factors, the use in economic theory and practice of complementary ratio is justified.

2. The tangible ratio value throughout the period under review is approximately 100%, standing above the minimum acceptable value (85%). Tangible assets rate is trending steadily, being considered a favorable situation.

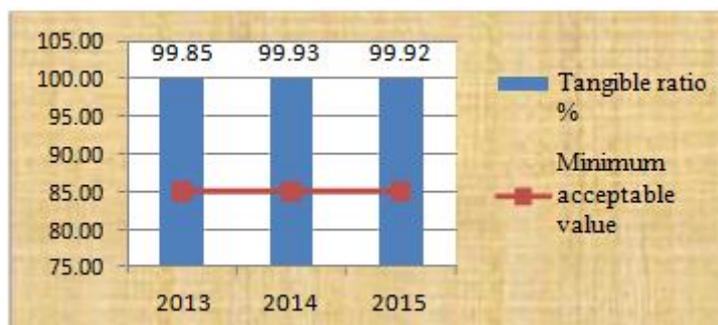


Figure 2 – The evolution of tangible ratio of S.C. Hortifruct S.R.L.

3. The current assets ratio depends on the activity sector, the cycle of goods movement, receivables collection period and the existence of available funds. The indicator is above the minimum allowed in all three years taken into account, with a decreasing trend. This is due to changes in current assets in an amount greater than of the total assets.

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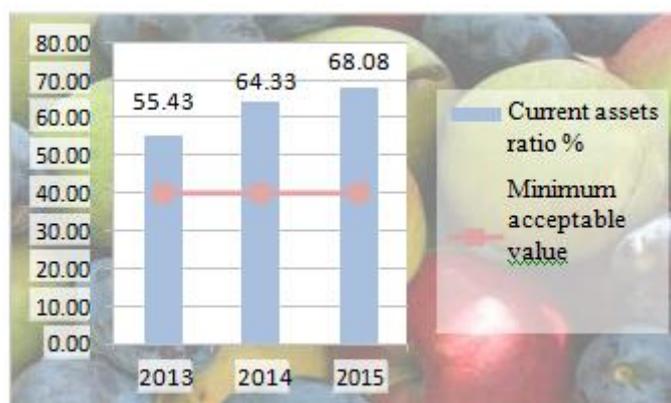


Figure 3 –The evolution of current assets ratio of S.C. Hortifruct S.R.L.

4. Stocks ratio for the entire period of analysis fluctuated, but is below the maximum level. This means a decrease in the number of stocks due to changes in their value at a ratio less than that of current assets.



Figure 4 –The evolution of stocks ratio of S.C. Hortifruct S.R.L.

5. Debt ratio illustrates the commercial loan portfolio receivables expressing patrimony and the size of the settlement period for customers and how to manage the company's financial resources. A trend indicator fluctuating the period under review amounted to 87.37 in 2015.

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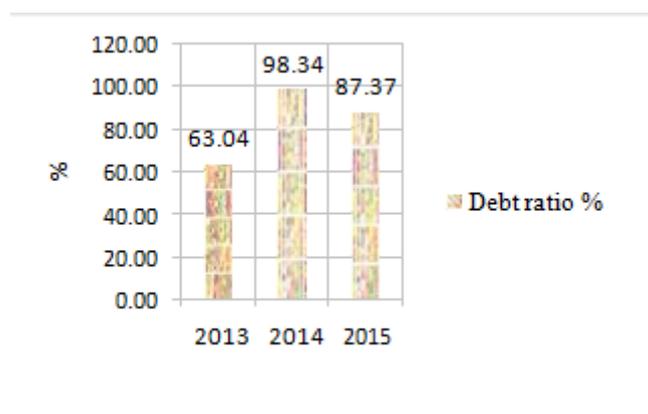


Figure 5 –The evolution of debtratio of S.C. Hortifruct S.R.L.

6. Liquidity ratio characterizes the liquidity of the asset, its information value, becoming important for the dynamic analysis of treasury and financial situation over several financial periods. The share of total current assets liquidity is very low in all three years of study, well below the 70% maximum permissible.

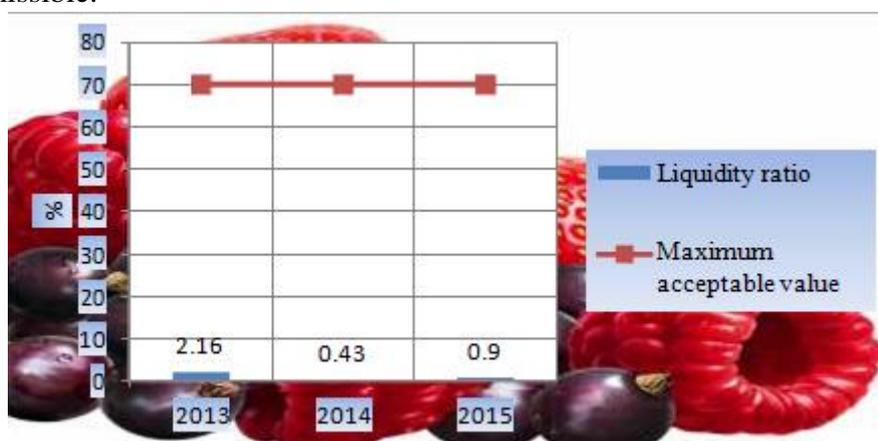


Figure 6 –Evolution of liquidities ratioof S.C.Hortifruct S.R.L

Regarding the analysis of the liability elements, a drastic decrease in equity can be seen in 2014 compared to 2013, by 215.74% and by 235.16% in 2015 compared to 2013. Total liabilities had an upward trend, which increased by 163.13% in 2014 compared to 2013 and by 173.79% in 2015 compared with 2013, due to the company achieving agricultural bank loans and because of values recorded from the suppliers. Regarding the structure of liabilities, it can be seen that the total debt have a share of 83.3% in 2013, of 116.4% in 2014 and 118.3% in 2015. The percentages greater than 100% are a result of negative shareholders' equity. The main share in the shareholders' equity is of 74.9% in 2013 and for the next two years of analysis it has negative value.

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The liability structure ratio highlights the structure of the funding sources depending on the origin and the extent of chargeability thereof. Through these ratios, the existence of an appropriate financial structure can be identified, as a result of the management policy

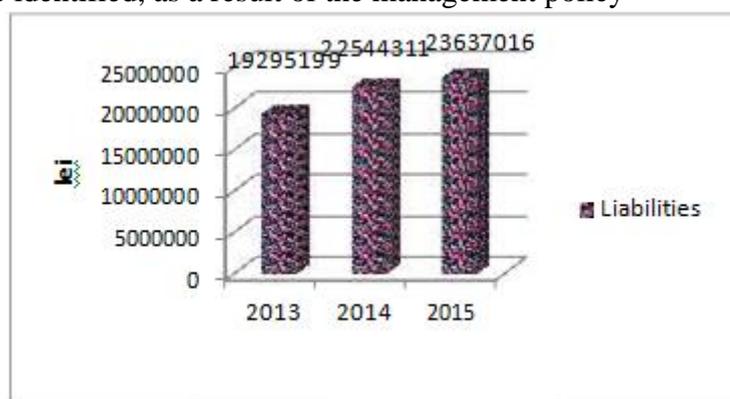


Figure 7 – Evolution of shareholders' equity of S.C. Hortifruct S.R.L.

7. The financial stability ratio reflects the extent to which the company has permanent financial resources as a regard of the total resources. The share of the permanent equity in the financial resources reflects the permanence of financing activity, providing a high degree of safety by stability in funding.

The agricultural entity has a relatively good degree of autonomy, above the acceptable minimum in 2013, but in the following next years the degree is far below the minimum acceptable value (14.22 in 2014 and 9.51 in 2015).

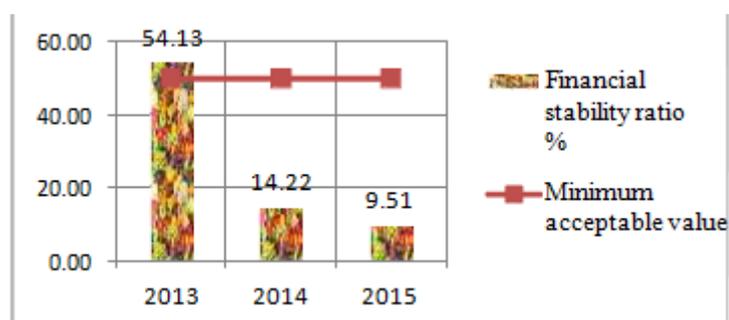


Figure 8 – Evolution of the financial ratio of S.C. Hortifruct S.R.L.

8. The current assets ratio, which represents the current level of funding, reflects the extent to which current assets participate in forming the total assets. In the period under review the level of funding by current resources was below the maximum permitted only in the first year, after which this value (50%) was exceeded significantly mainly due to the high rise in short-term liabilities (85.78% in 2014 and 90.49% in 2015).

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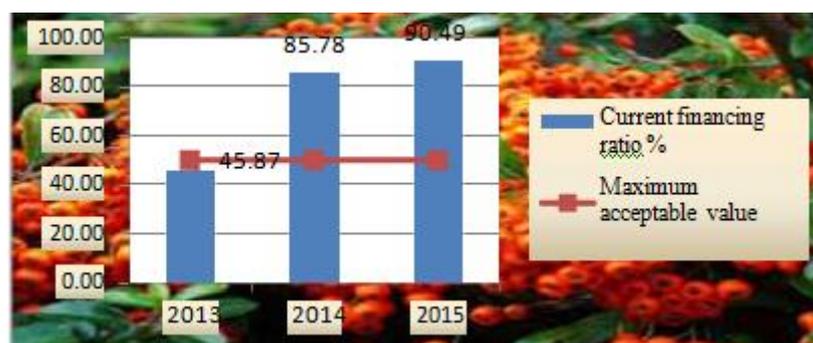


Figure 9 – Evolution of current financing of S.C. Hortifrukt S.R.L.

9. The financial autonomy highlights the extent to which owners fund the company. The higher share of own funding in total financing sources, the higher the company's financial autonomy is.

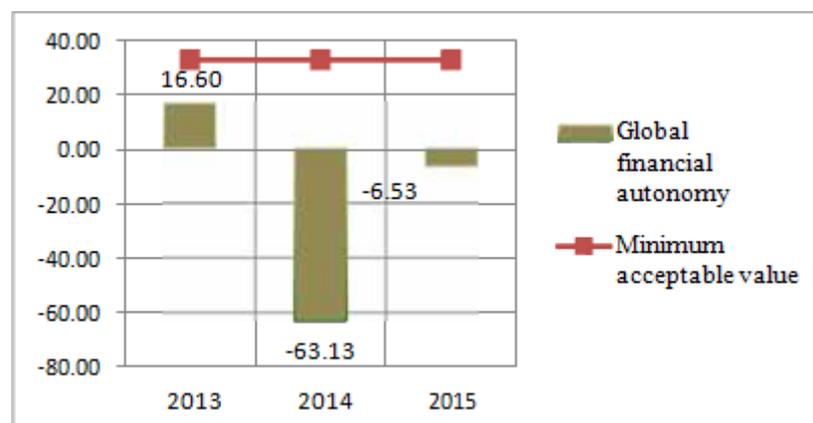


Figure 10 – Evolution of global financial autonomy of S.C. Hortifrukt S.R.L.

The agricultural entity has a poor financial autonomy on the entire period, with values below the accepted minimum. The share of equity in total liabilities with the obligations differs from one case to another, depending on the company's financial policy, on the conditions in which businesses operate. However specialists recommend the existence of satisfactory financial balance equity equal to or greater than one-third of the company's liabilities.

The agricultural entity cannot cover its debts, showing a decrease in equity by 215% in 2014 and by 235% in 2015, which is caused by:

- a decrease in equity, which confirms the unprofitability activity;
- an increase in total debt at a faster pace due to increasing short-term debt.

The agricultural entity lacks an overall good financial autonomy over the entire analyzed period, even if the first year of the analysis is close to the minimum admissible, because it presents an increasing trend of borrowed and attracted funds. Specialists in the field appreciate that for ensuring financial autonomy, shareholder's equity must represent at least half of the permanent one.

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The agricultural entity in the years of analysis presents a very low autonomy rate, close to 0%. The financial autonomy is vital to the company because it gives the possibility to decide in all freedom and also to find more loans. Global indebtedness ratio compares all debts the company has to its creditors, whether financial or not, with the total financing sources. From this point of view the agricultural society is considered to be into disadvantage. During the analyzed period, the indicator value is above the maximum level, registering increases from year to year. This increase occurs due to the changes in total debt at a faster pace than the changes in liabilities, such as the rise in credit flows.

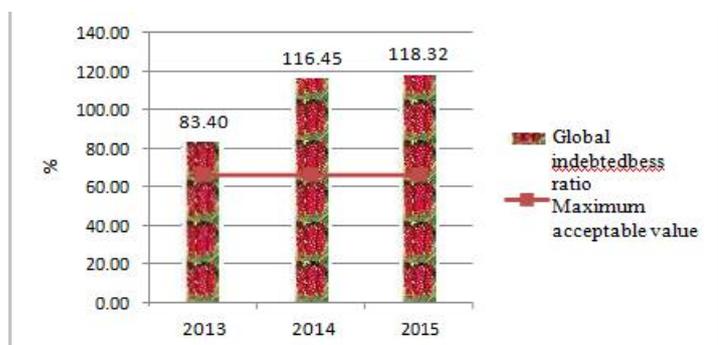


Figure 11 – The evolution of the global indebtedness ratio of S.C. Hortifruct S.R.L.

From the viewpoint of global indebtedness, the agricultural company is in difficulty. The increase of this indicator in the three years of analysis is mainly due to:

- increase in total debt;
- increase in shareholders' equity but at a lower rate than other resources.

In the period under review, the workflow recorded negative values in 2013, showing a lack of potential liquidities on the short term against short-term potential eligibility, the agricultural company failing to fully finance permanent allocation, remaining a lack in funding cycle needs. This decrease was due to permanently decrease at a higher pace of permanent resources to compare to the decrease of sable allocations. The other years of the analysis show a positive workflow.

Negative workflow reflects an uncertain evolution of security margin. This can be perceived as an unfavorable outcome in terms of solvency, and as such, the agricultural society is unable to cope with payment due and must rely on stock liquidity.

The need for workflow has been positive in the second and third years of analysis and shows a fluctuating trend, which means that there has always been a surplus of temporary needs in relation to temporary sources. This situation was basically due to the increase at a faster pace of the cyclic assets than the cyclic sources

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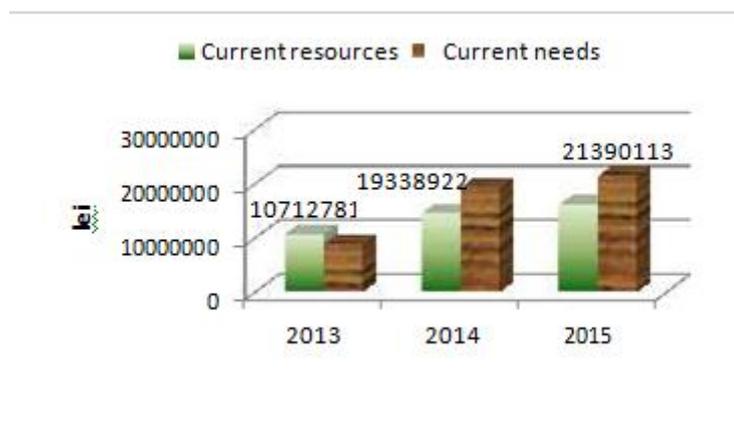


Figure 12 – The evolution of current resources and needs of S.C. Hortifruct S.R.L.

## CONCLUSIONS

The financial statements represent the source of complete information for analysis activities, management and control. Accounting information found in these documents is not always used in its raw state, but is subject to adjustments that make it more tailored to the accounting analysis. Thus, from the information contained in the financial statements are compiled various indicators. It should also consider that the balance sheet situation is expressed at a given time or a certain period of management Proposals for S.C. Hortifruct S.R.L. could be the following: increasing shareholders' equity by raising the social capital, to balance it with the permanent assets; selling of property, to obtain liquidity for financing the operating activities; reducing financing costs of current loans by seeking alternative sources of funding in the short-term; covering current needs with current resources, and permanent needs with permanent resources.

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