

FINANCIAL COMMUNICATION THROUGH THE FINANCIAL STATEMENTS ACORDING TO THE INTERNATIONAL ACCOUNTING SETTLEMENTS

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ABSTRACT: The major financial statements are designed to provide a picture of the overall financial position and performance of the business. In order to provide this overall picture, the accounting system will normally produce five major financial reports on a regular recurring basis. These financial statements, taken together, provide on overall picture of the financial health of the business. It says that who has the information has the power, and the way that it gets from the receiver is communication. From an accounting point of view, the communication is represented by financial statements, witch are regulated by IASB through IAS 1. Its objective is to prescribe the basis for presentation of general purpose financial statements, to ensure comparability both with the entity's financial statements of previous periods and with the financial statements of other entities.

Keywords: financial statements, IASB, IAS/IFRS financial reporting

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1. Introduction

The problem of the annual financial statements that represent the basis of this paper is an important subject, a topical interest, constantly tackled in the present talking on a nationally and internationally level.

The image of the annual financial statements influenced by the need of knowledge and administrative management become communicational ground both within the industrial unit and among the external relations, becoming the main source of supplying the national statistics as well as of the economical politics of the state, providing the useful information for adopting the chosen strategies.

The annual financial statements represent the fundament for publishing the accounting information, the basis for determining the conditions an industrial unit develops its activity and grows in time and a fundamental tool for adopting the economical – financial decisions at the level of managing the industrial unit. In a other opinion, the financial statements represent the main source of economic-financial information, a communication instrument used by economic entities in order to communicate with the outer-sphere, a document of financial reporting that allows us to see the entity's functioning capacity, in a dynamic balanced condition.

The financial statements international matching process is displayed through a convergence towards international accounting standards, and IAS/IFRS financial reporting issued by IASB. In such optics, the financial statements convey a high informational potentiality, the main acquaintanceship of patrimonial reality, with a high communicational opening, but also an

important way to notify the shown valuing.

A right economic-financial communication, which concedes the credibility of papered data, and yielding the possibility of confronting those, a higher transparency of the financial statements, next to an archer conciseness of economical strategy, has the role of improving the entity's relations with supply institutions, and to increase its own value. The IAS/IFRS financial statements can improve the entity's image, and can reproduce the public comprehensible data at international standards.

2. Role and importance of the annual financial statements

The importance of the elaboration of the annual financial statements is equal both for those who work them out, and the users of the annual financial statements.

The accountancy produces financial statements with impact for the society and modifies people's behavior, generating mutations or social changing [11].

The quality of the communication, the dialogue, both in the process of production and using accountancy products, depends on the culture and respectively the accountancy culture, as essential vectors in the economical- social system, with authority in the group's behavior inside the system and between the relations of the systems [1].

The triple role of the annual financial statements regarding the use of information for their beneficiaries may be thus structured:

- explanatory, in regard with the businesses practice and the accountancy practice.
- normative, of examination the businesses' administration;
- foreseeing, that stipulates the search of the solutions for the problems occurring in the field.

3. The objectives of the annual financial statements according to the international accounting settlements

The international accounting framework [3], also called Framework for the Preparation and Presentation of Financial Statements, was published in July 1989, inspired from the essence of the American accounting framework, but being specified by the fact that it "doesn't want" to address only to one category of users (more specific the investors, the way its "predecessor" did), but to a wide range of users and that indicates its "more social" nature. According to this framework, the objective of the financial statements is to provide a preview about the financial position, the performances and the development of the corresponding financial state of the industrial unit.

The British accounting framework also called Framework for the Preparation and Presentation of Financial Statements, being published in December 1999. This framework represents the most subtle process in terms of conceptualizing the accountancy on an international level; at the same time, it is the beneficiary of both the previous meditations of the American and international entities of normalizing, and the British entity' struggles for normalizing (ASB), for improving the hole framework of its referential.

According to the first chapter of this framework entitled "The Objective of Financial Statements", reference is made to the persons for whom the financial statements are made, those people's information and the position rhea financial statements possess within the accomplishment of those necessities. In simple words, the purpose of the financial statements is to provide useful information for those related to the subject

Thus, the aim of the financial statements is to provide information about the performances and the financial position regarding the entity or reports, information that must certificate their use for a wide range of beneficiaries, within the examination of the management style, assured by the management of the industrial unit and within the process of taking economical decisions. The

financial performance of an entity regards the profits they obtain from the resources they audit; they refer to the components of these benefits and to the features of these components. As regarding the financial position of the entity, this includes the economical resources that it audits, its financial statement, its liquidity and capacity to adjust to the changes in the area it operates.

The role of the annual financial statements comes from their objectives, that are very varied and that require a thematic analysis.

To reach its objectives, the financial statements are worked out according to the commitments accountancy. Thus, the elements of the transactions and other events, are acknowledged when the transactions and the events take place (and not as the cash or its equivalent is collected or paid) and are registered in accountancy and reports, in financial statements of the due (corresponding) period. The financial statements worked out according to this principle offer the beneficiaries' information both about the past transactions that involved payments and cashing and about the payment obligations that are going to be made in the future and about the resources regarding the future cashing [2].

According to Lauzon [7], the most significant objectives to influence the quality of information from the annual financial statements are those that regard the involvement of the external users and more specific of the investors and creditors, providing the information useful for taking decisions about the way the industrial unit is watching and considering the completion of the protection for the invested money.

This information is for the users able to understand the information presented in the annual financial statements and possessing the required knowledge.

Although the information required by the beneficiaries are varied, each having a different interest, a fundamental objective of the financial statements results and that is to offer information about the financial position, the performances and the changes of the financial positions of the industrial unit, changes that are useful for a wide category of users in the process of taking decisions [6]. The main purpose of the financial statements comes from the fact that the economical decisions taken by the users of the financial statements require the examination of the industrial unit's capacity to offer cash or its equivalents and examination of the period and the safety of its offer. Essentially, on that relies the industrial unit's capability to pay its employees and suppliers, the banking interests, to reimburse the loans and to pay its owners.

IASC (International Accounting Standard Committee) that became International Accounting Standard Board **IASB**, as a result of an accounting strategy and managerial reformation, mentions that the information contained in the annual financial statements (the summary documents) have the following *objectives*:

- the checking of the business's administration;
- the determination of the industrial unit's ability to pay those who took part at the activity
- the estimate of the guarantees offered by the industrial unit;
- the establishment of the period to invest the money;
- the settlement of the dividends;
- the determination of the economical, commercial and fiscal politics;
- the establishment of the industrial unit's welfare (of one country) and taking decisions for the use and distribution of the national resources

As the IASB Council estimates, almost all the beneficiaries take economical decisions in order:

- to decide when to buy, to keep or to sell a money investment;
- to estimate the responsibility or the administrative management
- to estimate the industrial unit's ability to pay and offer other benefits for its employees
- to estimate the guarantees for the credits offered to the industrial unit;
- to determine the taxing politics;
- to determinate the profit and the dividends that can be distributed;
- to elaborate and use information about the national income;

- to regulate the activity of the industrial unit.

The objectives of the annual financial statements are different from country to country, in accordance to the importance given to different categories of users, more specific the external and internal users (those who are also the producers of the annual financial statements, as possessing a trump in favor, comparing with other external users).

To conclude, we may say that the objectives of the annual financial statements depend on the users' needs and those may be synthesized in three categories:

1. objectives regarding taking economical decisions. Thus, the economical decisions taken by the beneficiaries of the financial statements require the examination of the industrial unit's ability to generate cash or its equivalents, of the period and the safety of its generation.

2. objectives regarding the introduction of a report in order to evaluate the future treasury – flows. According to these objectives, the information about the performances of the industrial unit is useful to anticipate its capacity to generate treasury-flows, using the existing resources and to state the judgments about the industrial unit's efficiency to use new resources.

3. informing objectives about the financial statement of the industrial unit, its performances, the debts, the solvency, the financial liquidity, eligibility and flexibility.

To obtain a loyal image about the financial position, the performances and changes of the financial position represent the main purpose of the accountancy. To achieve such a desideratum does not always suppose the focus on details, but more specific their inclusion in a global image, that comprises the real life and the prospects of the whole [5].

4. The characteristics of the annual financial statements

The characteristics of the annual financial statements consist in the following remarks:

- it represents the most important working, both for the inner beneficiaries and the external ones;
- they are used in all the fields of the human activity as a final accounting for the determination and introduction of the financial statement, the results and the efficiency of an activity;
- through their content, they have the chance to provide the required information about the financial statements, the results of the industrial unit at a certain time, the activity developed, noticing the concordance between their content and the reality they sustain.
- they offer information used in order to ground the decisions with static and strategic nature.

The annual financial statements do not focus only on a condensed introduction for the series of dates due the previous practice, and respectively, the final exercise, but on their ground the processes and phenomenon that took place are being analyzed, the cause –effect relationship between these relations are being identified, methods of fixing the activity are being established, anticipations are being worked out, decisions are being taken [8].

As concerns the accountancy information, the most representative is the financial reference. Thus, through the financial statements, there must be offered an informing about the financial position, the performances and the treasury –flows of an industrial unit, informing that must be useful for a wide range of users for taking their economical decisions. Also, the financial statements are aimed at showing the result of the administration performed by the management of the industrial unit, including the way the resources entrusted have been used [3].

The manner of presenting these information and the general references regarding the industrial unit and its relations with the staff within the industrial unit but also its relations with third persons may be brought to their notice through books, videos, cd-s, and internet. Thus, any kind of information related to the specific organization represents the basis in the process of settling the foreseeing and taking decisions by the users [4].

On the basis of the information within the annual financial statements any beneficiary may draw the economical decisions for the following situations:

- to decide when to buy, to keep or to sell;
- the maintenance and\ or the development of the industrial unit's cash;
- the development of the solvency and financial independence rank of the industrial unit;
- the grating, limitation or ceasing of the credits according to the financial evaluation of the industrial unit;
- the maintain ace, the raise or the cancellation of the sale – purchase agreement;
- to establish the taxing politics, those of defining the profit and the dividends to be delivered;

The main aim of the annual financial statements, as a means of informing, is to provide useful information for reaching the decisions by the exchanging investors.

The accountancy information allows the investors, present shareholders or potential ones, to draw up a value judgment regarding the previous, present and following events from the industrial unit, thus providing the ground of confirmation or invalidation of the initial foreseeing [13].

In fact, other partners too, belonging to the industrial unit resort to financial statements in order to reach the decisions. But the usefulness of the information is more significant for the management of the industrial unit. Although parts of the accounting dates can be used in a “gross” state within the decisional process, many of them reveal their informational value due to the analysis process that allows the setting up of a financial diagnosis for the industrial unit [10].

The accountancy and its products- the accounting information – draw a correlation between the economical activities and the decisional factors [11].

In the theory of knowledge, the annual financial statements:

- verifies the principles of the accounting method (the double representation and double registering), placing face to face the advanced cash and the secured cash;
- proves the theory of equality between the two sides (economical means and sources of these means) through relations of balance sheet equilibrium;
- presents an advanced level of the informational synthesizing contributing to reaching some retrospective and foreseeing conclusions.

In the accountancy practice, the annual financial statements represent the beginning and the closing of an accounting cycle, providing the portfolio of information correlated and verified which express all the sides of the economical relations.

The information published by the annual financial statements must provide the following [8]:

- fixing the net state of the patrimony or personal cash;
- fixing the net economical – financial result obtained;
- supplying some informational dates of details regarding the evolution and structure of some patrimony components or of some factors elements of incomes and expenses;

To conclude, the annual financial statements represent the final result of any accounting system, being also “an important source of knowledge and analysis of the economical – financial account of the industrial unit”.

5. Conclusions

The annual financial statements, through the manner of taking part at the circuit “information – analysis – decision” are considered the basis of reference in the process or leading the economical – financial activity of the industrial unit.

As a foreseeing function, they use in the process of customary and long term management

the accountancy and financial information, and on their basis the foreseeing accountings can be made, on the way the activity takes place in the successive periods, through these accountings securing the settlement of some indicators as accurately as possible, and more precisely economical decisions as efficient of possible.

The problem of the annual financial statements that represent the basis of this paper is an important subject, a topical interest, constantly tackled in the present talking on a nationally and internationally level.

The annual financial statements represent the fundament for publishing the accounting information, the basis for determining the conditions an industrial unit develops its activity and grows in time and a fundamental tool for adopting the economical – financial decisions at the level of managing the industrial unit.

To decide efficacious and in a correct manner means to be all the time informed, and the working out of the economical decisions and equally, the assessment of the past activity, are being essentially grounded on the accountancy information, and the structures and the inclusion of information alike taking thus place in the synthesis documents and accountancy reporting (in the annual financial statements of the industrial unit).

To conclude, we may say that the annual financial statements are a structured financial representation of the financial position, and the transaction made by the industrial unit; their general aim is to offer information about the financial position, the performances and the cash- flow of the industrial unit, useful for a wide range of users in the process of taking economical decisions, the annual financial statements also presenting the results of the administration of the resources entrusted to the management of the industrial unit.

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