

## **FIRM PERFORMANCE IN THE CONTEXT OF INTERNATIONAL REGULATIONS**

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**Abstract:** : Earnings include amounts resulting from the removal of fixed assets and long-term average. The definition also includes income and unrealized gains, for example, those resulting from the revaluation of investment securities and those resulting from the increase in book value of assets within long. So presentation gains in profit and loss is usually done separately, because the existing knowledge their decision making process is important .Gains are typically presented on a net basis, excluding charges. Revenues can be used to purchase assets or to increase the value of different types of assets, e.g. cash, receivables, goods and services received in exchange for goods and services provided. Income may also result from the liquidation of debts. For example, a company can provide goods and services to a creditor in order to liquidate a debt relating to an ongoing credit. Overall performance is defined according to the company's ability to create value for all its interest holders, shareholders, creditors, employees, suppliers, local community etc. Of course, prevails company shareholders who are actually owners. Managers appointed by the investors should pursue this objective through continuous value creation.

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### **1. INTRODUCTION**

The transition to a market economy requires management to adapt to new requirements, knowledge, real-time data on enterprise performance and anticipation of future economic events so that management decision can be taken in which you are concerned and at the same time, to eliminate the possibility of outbreak risks could adversely affect future activity company.

The underlying needs assessment, recognition presentation and analysis of enterprise performance. Achieving these goals lead to new configurations accounting information and management. We can say that so far no general accounting framework IASB accounting theory does contain a performance evaluation measure financial.

Se know more positioning and Theoretical performance and continue to bind the company its profitability, effectiveness, efficiency and other indicators used in financial analysis to measure the performance of company. This performance is linked, as is normal; the profit is for any entrepreneur. In the following we will select some clarification or, if you will, "definitions" of concepts above that we still operate in our approach.

The prospect of EU accession, Romania after 1997 need to understand the alignment of the Community accounting rules and made greater efforts to accommodate

these requirements. Development program accounting system in Romania, which is funded by the government Department for International Development (DFID), began to run in 1997 and resulted in the adoption in 2001 by Romanian companies harmonized rules IAS and European Directives.

In our opinion, mainly in the decision to reform the Romanian accounting system at the time was the need to take measures (including accounting) and Romania to help the economy to develop and integrate among European countries. In the context of orientation internationally valid regulations, the methods used for measurement of a company in the nation lose representation when it comes to international alignment. In this context, the term governing is, value, and the major objective of maximizing firm it became, which cannot be achieved by creating value across entities in global form.

## 2. OBJECTIVES

Overall performance is defined according to the company's ability to create value for all its interest holders, i.e. shareholders, creditors, employees, suppliers, local communities etc... Of course, take precedence over shareholders of the company, which are also its owners. Managers appointed by the investors have to pursue this objective by creating permanent value.

For example, the accounting profit provides information on the company's ability to control costs and achieve higher revenue expenditure. Also, rates of return are useful in assessing the efficiency of capital or business assets, but their information content is limited to the historical results.

In fact, no financial indicator should take into account classical cost of capital invested in the business, but the effects of its use. For this reason, there are companies that apparently have superior financial performance, but whose activities do not generate value, but rather lead to permanent loss of value. In applying IFRS, the result of profit and loss account does not show the complete performance of the company or its results.

It imposes a new requirement to reflect a primary financial statement those gains and losses are currently not represented in the profit and loss, but that lead to the indicator known in the literature under the name of, the global result. "The initial solution adopted by IAS 1 Presentation of financial statements for this purpose was the preparation,, the situation changes in equity." Please note that this situation is particularly complex. In addition, it does not define the elements that relate to income.

In our opinion, need to determine a comprehensive presentation on the performance of the IASB Framework, through the expenditure and revenue. The definition of income includes the income from current activities and gains from any other sources. Gains represent other items that meet the definition of income and can appear or not as a result of current activity of the company. Gains represent increases in economic benefits from this point of view does not differ in nature from revenue.

In conclusion, earnings include amounts which the output current assets and long-term average. The definition also includes income and unrealized gains, for example, those resulting from the revaluation of investment securities and those resulting from the increased carrying amount of long assets.

So term, presentation gains in profit and loss is usually done separately, as knowledge of the existence their decision making process is important. Gains are usually on a net basis, excluding charges. Revenue can be used to acquire assets or to increase the value of different types of assets such as cash, receivables, goods and services received in exchange for goods and services provided. Income may also result in settlement of debts.

For example, an enterprise may provide goods and services to a lender in order to liquidate a debt related to an ongoing credit. Definition of loss includes expenses and those expenses that arise in the conduct of current business activities. For example, the costs that arise during the current activities of the company include cost of sales, wages and depreciation. They are found usually in the form of outflows or decrease the value of assets such as cash or cash equivalents, stocks, land and assets.

Losses represent other items that meet the definition of costs which may arise or during the course of the current activities of the enterprise. Losses represent decreases in economic benefits from this point of view does not differ in nature from other types of expenses.

The definition also includes unrealized losses costs, such as those resulting from increased exchange rate for loans that the company has entered into foreign currency. Usually, the profit and loss statement presentation is carried out separately, because of the importance of the existence and value of knowledge in decision making. Losses are usually reported on a net basis, excluding revenues related.

The explanations mentioned are not included those gains and losses resulting from the activity, but for which Financial Reporting Standards require presentation and quantification of elements directly in equity. Although the definition of revenue and expenditure items, according to IFRS requires that they specifically affect equity. These elements are the direct result of the introduction of fair value of certain items of assets and liabilities, something that has changed the perspective of both preparers and users.

Traditional focus on caution and qualitative characteristics of financial information found in the Framework of the IASB are instead the result of another concept, comprehensive income, including gains and losses are not usually included in the profit and loss. IASB approach the question of grouping into single financial statement information on the performance of an entity, information contained in the income statement, statement of cash flows and statement of changes in equity.

IASB's preferred title was, "the statement of comprehensive, rather than alternative," performance situation, because while following U.S. alignment with the body. Thus, in October 2003, the International Accounting Standards Board (IASB) and his U.S. counterpart, FASB, formed the so-called JIG (Joint International Group). The starting point of this, "M", originally named, Performance Reporting: Reporting Comprehensive Income Reporting" („performance: Reporting comprehensive income"), was determined by the American tradition in the field.

### 3. METHODOLOGY

Through this partnership, the IASB has proposed to find the solution to include the result in financial statements, suggesting a new format of profit and loss account. Public objective of this union was decided a year later, the IASB meeting of 25 October 2004, namely, setting standards for presentation and need information on an entity's financial position and performance", and in particular concern the presentation and explain performance in the financial statements under IFRS and U.S. GAAP, international convergence line.

The theoretical result was reached global concept (comprehensive income) for the year based on the relationship:

The overall result for the year = Result Net profit and loss + /-adjustments to maintain capital + /-Other changes in equity not recognized in profit or loss.

#### 4. ANALYSES

Therefore, to define performance through the net result of the exercise or through comprehensive income is a global problem that the result reflects performance of vision. Notice only insofar as it takes into account gains and losses which includes economic benefits and does not take into account pluses from rising assets.

What is the first step in calculating the IASB comprehensive income? Neither in IAS 1 Presentation of financial statements nor in another standard, the IASB does not make direct reference to the overall result, but it took the first step and shows gains and losses directly in equity, considered part of the performance, in „ The situation of gains and losses ”:

- Gains / losses on revaluation of property – we note that the IASB does not take into account all the differences of the revaluation, but only those of real estate: all other revaluation reserve value adjustments which are outside the definitions of income and expenses;
- Gains / losses on investments available for sale – it refers to financial instruments for sale whose fair value of the damage is done by affecting an account of equity
- earnings / losses of associated hedging cash flows;
- exchange differences on the conversion of foreign operations, which is reflected in the reserves of conversion,
- actuarial gains / losses related to defined benefit plans
- deferred tax relating to items directly recorded in equity under IAS 12 Income Taxes

Comprehensive representation EU response to this issue was the promulgation of Directive 2003/51/EC, which specifies that Member States to draw up and present it, a situation where performance in the profit and loss, in order to illustrate how and comprehensive financial performance of the company.

Consequently, transformations and changes in Romanian accounting followed (and still is) a route that was aimed, first, harmonization with EU Accounting Directives and International Accounting Standards (formerly) and subsequent compliance with European directives ( present) and International Financial Reporting Standards (in future).

##### 4.1 Critical

Shareholders and investors want to measure the company's performance to see how performant are the shares and how risky is the investment. They have to follow certain stages:

- calculate some ratios that show the performance of the company; they can compute the most commonly used ratios that include earnings per share ratio and price-earnings ratio that express the performance in financial terms;
- compute the leverage and the profitability of the company. In order to do this it has to be computed the total debt to equity and debt to assets that show the assets and liabilities of the company and also the company's ability to pay off the debt. As the returns get higher, the company is more profitable.
- compare the results obtained with the ones of the entire sector in which the company activates. If companies from the same sector have better figures then the company is not doing well; it is very important to evaluate the whole industry related to the company;
- observe the overall perspective of the company and the growth potential; it is important to establish the long-term plans in this stage.

## 5. CONCLUSIONS

One of the most important problems in a financial decision is how changes in financial structure affect firm value. The two elements of the financial policy affecting the funding structure of the enterprise on the one hand, debt policy, and on the other hand, dividend policy.

Analyze debt policy changes influence debt while maintaining unchanged the size of equity and dividend policy aims to influence change in equity (a debt constant) on the left after tax benefits.

In our opinion, the financial statements are a structured representation of financial position and financial performance of an entity. The objective of the overall financial statement is to provide information about the financial position and cash flows of an entity, useful for a wide range of users in making economic decisions.

The financial statements present the results of management of resources entrusted to the management entities. Distribution of profit on destinations shall be made for national companies, national companies and companies owned or majority state-owned or public utilities in accordance with the provisions of Government Ordinance no. 64/2001, as amended and supplemented.

At the same time, private companies for profit distribution will have regard to the provisions of Law no. 31/1990, with subsequent amendments and regulations harmonized with Directive IV of the European Economic Community, approved by the OMPF nr.2374/2007 nr.1752/2005 and modified.

Looking determining the profit or loss, we conclude that the financial accounting aspect, the result of the financial year is the difference between expenses and revenues related events and transactions carried out during Comparison of revenue expenditure is determined profit or loss:

TOTAL INCOME YEAR =  $\pm$  RESULT - Total expenditure

If positive it is profit and where incomes are higher than expenses. If result is negative and represents the loss is made where costs are higher than income.

In conclusion, the accounting profit (or loss) shall be cumulative from the beginning of the year. Annual financial statements must give a true picture of assets, liabilities, financial position, profit or loss entity.

In summary, transformations and changes in Romanian accounting followed (and still is) a route that was aimed, first, harmonization with EU Accounting Directives and International Accounting Standards (formerly) and subsequent compliance with European directives ( present) and International Financial Reporting Standards (in future).

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