

# THE QUALITY OF THE FINANCIAL INFORMATION – AN IMPERATIVE FOR THE TOURISM UNITS

Bogdan RĂVAȘ, Assist, PhD Student  
University of Petrosani

Claudia DINA, Assist, PhD Student  
University of Tg. Jiu

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**Abstract:** The financial information represents a specified economic information, resulting from processing through proper methods and instruments of the data provided by the accounting department. This type of information is precise, complete, real and operative representing the support of the economic decisions taken by the managers. It is no doubt that the financial information represents one of the main information sources for any decisions based process. An important demand that must accompany the qualitative characteristics of the financial information is also the acceleration of the publishing process. An accelerated publishing process it is based on the communication policies that shouldn't threat the financial information as a simple legal act but as a response to the user's public demand. The increase complexity process must be reflected in the same time with the increased rithm of information perisability that should lead to shorter publishing terms.

The financial information represents a specified economic information, resulting from processing through proper methods and instruments of the data provided by the accounting department. This type of information is precise, complete, real and operative representing the support of the economic decisions taken by the managers. It is no doubt that the financial information represents one of the main information sources for any decisions based process.

Oscar Morgenstern appreciates that “accounting is actually the most important information source regarding the economic activity of a nation”. The structure of the accounting information is materialised today in the use of the automatic means that manage the information by its formal structure. The information is not always adapted to the public demand. The legal frame of the diverse financial information is actually unadapted to the diverse needs of the tourism area of activity. The nature and content of information are in essence very different no matter the source or destination. The financial information is provided by specialized structures organized inside the tourism units as different compartments (accounting) that have as a purpose to obtain this kind of information.

The steps followed in order to reach the right information in my opinion could be:

- the systematic recording of the transactions by transposing them into money;
- the classification of the transactions;
- grouping the information into usable forms;

After the reception of the information, this must be supplied to the managers in order to help them reach the right decisions.

It is essential for an information system to ensure two conditions: quality and easy access from the financial point of view.

By the participation of the tourism unit to the economic activity, through its behaviours, the services created and sold, it is considered to be an information generator, information that can be grouped as following:

- information about the whole unit activity;
- information regarding the individual projects;
- information for the control authorities outside the unit;
- information for the customers;

The financial information as part of the economic information emphasizes the quality of the material and financial resources of the units. As a conclusion we can appreciate that the financial information is a private, special economic information resulted by manufacturing the accounting date by special methods, instruments and procedures.

The fluctuation of the economic process in time and space and in structural aspect, I consider it needs a special indicator system to reflect the quality of the information of the management level. Because of the complex processes and events from the contemporary tourism units, the information reflected or anticipated must be many-sided. The multilateral character of the information ensures perception by many angles of the proceedings the unit is involved in.

The tourism unit managers consider the economic information to be very useful in the decision act with the condition that the information has certain qualities.

Because of its importance, the quality problem has been very often studied and debated. Especially for the tourism units the quality problem can be solved by ensuring real information in the sense of showing the exact situation at the long term economic efficiency. In conclusion this demand must be fulfilled even with the risk that the information can become undesirable for the managers at a certain point.

The actual accounting system is focused also on some other characteristics (without denying the remembered ones) that concern the efficiency of the accounting information production such as:

- information pertinence – meaning the information utility for the decision act. An information can be considered pertinent if it can modify the user's behaviour. In order to be pertinent a information it must be opportune;

- information fidelity – expresses the real content of the information. An accounting information must provide to the users an adequate description of the events and operations, in conformity with the real atmosphere that this information supports.

- Information relative importance – the information production must be realised at an inferior cost for the advantages that provides. Also we must have in mind the cheapest sources, but we must not affect the quality of the information.

According to The Federal Accounting Standards Board in order to be useful for the beneficiaries the information must respect two essential conditions: the relevance and the reliability; these two conditions are connected by a secondary quality – the comparability.

The information reliability joins some qualities such as the information verifiability guaranteed by the international norms and regulations, and the neutrality and sincerity and it means that the managers and the accountants must be neutral towards the information they prepare and present. The information quality is characteristic that gives the information utility and significance.

The utility is, in my opinion, the main quality of an information that must respond alone all of all the internal and external goals of the tourism unit and that implies quick information, indispensable for the decision act.

An other quality aspect is represented by the connection into time of the information, aspect imposed by the necessity of the appearance in a certain form in order to allow the comparison using the currency and the complementary information can be supplied by the material units.

The insurance of a proper qualityits conditioned by a series of demands such as:

- to be complete and operative, meaning to contain data that can allow the complete knowledge of the events and proceedings and by the same time to be collected and broadcasted as quick as possible from the production moment in order to keep the intervention capacity in managing the activity.

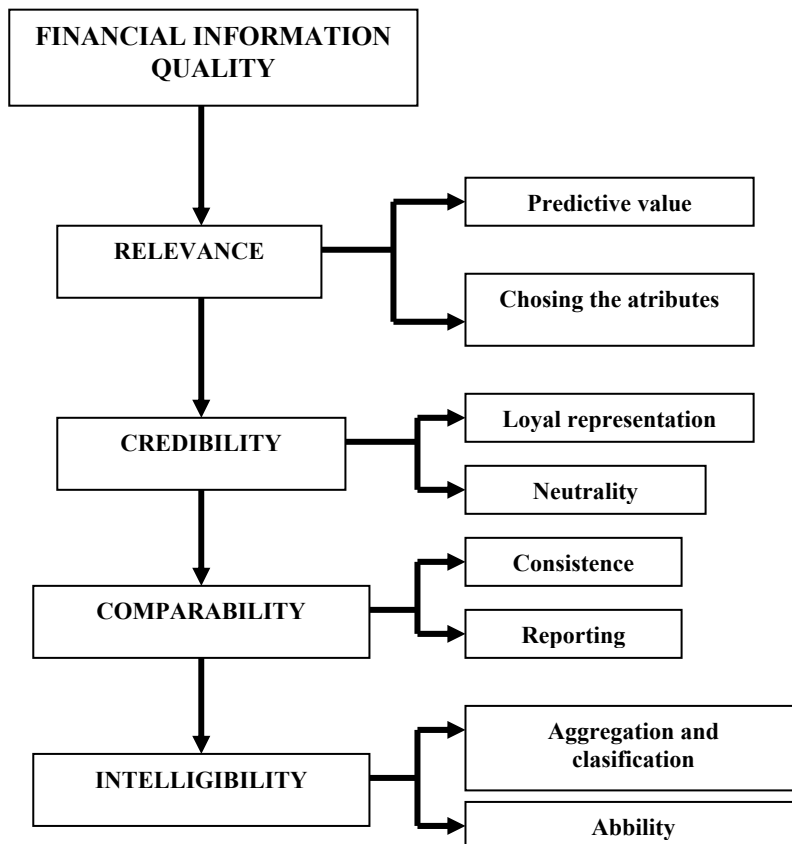
- to be adequate, meaning to reflect the needed data for reading the management objectives

- to be objective and real, based on qualified data, that can be contested, in order to maintain the conclusions and proceed to the right measures.

- to be permanent supplied and maintaina dynamic character, in order to contribute to short term predictions in order to increase the efficiency;

- to be presented in an adequate form with easy access to the content;

- to be economic, meaning to ensurethe right demands with less effort;



**Fig. 1: The financial information qualitative chain**

The verifiable character is the quality that allows the professionals to express their own information and conclusions. Another quality aspect is represented by the objectiveness that presumes impartial measures and the use of the standard methods that remove the personal appreciations.

The easy access to the means needed for satisfying the demands of the tourism units it is considered to be indispensable for the information quality improvement.

The financial information quality is connected to the information system objectives and the quality of the economic system where is included (fig. 1).

In order to gain its role in the management process the economic information must have the following qualities:

- the accuracy that is determined by the information value and reflects the exact reality from the quantity and quality point of view.

- opportunity represents the quality of the information to be available at the moment it is demanded. This quality allows us to prevent the aging process of the information.

- the information value – this characteristic must be regarded through the content and its value and also through the effects over the events.

In order to ensure the user's needs FASB has emitted the norm named SFAC 2. The qualitative characteristics of the accounting information" In SFAC 2 acceptance, the clarity and the utility are the main qualitative characteristics of the information.

Also they have the same purpose the regulations concerning the financial information's quality are different, enunciated by different structures. IASB considers that the qualitative characteristics of the financial reports as elements that determine the utility of the financial information the following: relevance, credibility, comparability, intelligibility.

The relevance represents in my opinion, the capacity of the information to be useful in management decisions. The financial information is relevant whenever it influences the user's decisions helping them to evaluate passed, present or future events, confirming or adjusting the previous evaluation.

In some cases the nature of the information is enough in order to determine its relevance. A financial information is appreciated as being significant if it influence the economic decisions of the users.

### ***The credibility***

According to this condition I consider that the financial information has the quality of being credible when does not contain significant errors, when it is not subjective and the users can trust that it's stands for the purpose they desire.

In order the information to represent in a credible manner the events and the transactions it is necessary to be presented conforming to their content and economic reality. The financial information must be neutral and to represent in a loyal manner the facts.

According IASB the information credibility is defined by the following elements: loyal representation, the prevalence of economic over legal, neutrality, prudence, integrity.

### ***The loyal representation***

The information describes correctly the transactions and events that it represents.

### ***The prevalence of economic over legal***

The information is credible if the transactions and the events are presented according to their content and the economic reality and not only in a legal manner.

### ***The neutrality***

The information from the financial situations is credible if they are not individual.

### ***The prudence***

It refers at the inclusion of a certain caution level in developing the demanding decisions in order to make the right appreciations in an incert environment without overevaluate or underevaluate certain elements.

### ***The integrity***

The information must be as complete or possible because the lack of some elements can lead to wrong decisions.

The credibility of the financial information refers its self at the lack of errors individual decisions and the elements that can affect the reality of the economic situation.

### ***The comparability***

In my opinion it presumes the necessity that the users to be able to compose the financial information of a tourism unit in the right time to identify the financial position and its performances The users must also be able to compare the financial situations of different units in order to evaluate their financial position and their performances.

The comparability is the financial information quality to be compared by the users. The comparability must be ensured in time and space. Comparing the financial information in time gives the chance to observe the evolution of the financial situation and the state of the financial performance. The comparability of the financial information in space gives to the managers the possibility of observing the financial position of other similar units.

The reliability of the financial information offers the possibility of comparison, essential in the decision act. The comparability is ensured if the tourism unit uses the same evaluation methods. The comparability between units is ensured if these units use common methods and rules even in the case of particular situations.

***The intelligibility*** is presented in the professional literature as main characteristic of the financial information. The intelligibility represents, in my opinion, an essential quality because the financial information must be easy understood by the managers. In this purpose it is presumed that the managers have enough bussiness knowledge.

The studies the specialists made concerning the financial information revealed the following elements studied comparatively with FASB, ICCA and IASB:

In order to ensure the financial information comparability the managers must be informed over the financial policies that are used for the financial situations. Also, the financial situations must contain data regarding the previous periods of time.

A study realised by Morton had as an objective the verification of the way in which the mentioned qualitative characteristics by the IASB are proper understand and used and if they help in developing the right decisions.

The conclusion he reached were that the qualitative characteristics are subjective and intelligibility and relevance depend on eachother. As a consequence, the information less intelligible but relevant is not used by the managers in the decision process.

The users benefit also by the support of the general accepted conventions that try to simplify the interpretation of the financial reports.

An important demand that must accompany the qualitative characteristics of the financial information is also the acceleration of the publishing process. An accelerated publishing process it is based on the communication policies that shouldn't threat the

financial information as a simple legal act but as a response to the user's public demand. The increase complexity process must be reflected in the same time with the increased rhythm of information perisability that should lead to shorter publishing terms.

**Table 1**

**Comparative study of the financial information elements  
between FASB, ICCA, IASB**

<b>Nr. crt.</b>	<b>CARACTERISTICI</b>	<b>Statele Unite FASB Luare de poziție</b>	<b>Canada ICCA Luare de poziție</b>	<b>Cadrul general IASB</b>
1.	Pertinence	x	x	x
2.	Objectivity	x	x	x
3.	Accepting the terms	x	x	x
4.	Loyal	x	x	x
5.	Verifiability	x	x	x
6.	Neutrality	x	x	x
7.	Comparability	x	x	x
8.	Continuity	x	x	x
9.	Relative importance	x	x	x
10.	Balance between advantages and disadvantages	x	x	x
11.	Prudence	x	x	x
12.	Integrity	x	x	x
13.	Intelligibility	x	x	x
14.	Absence of the unuseful elements	x	x	
15.	Predictive value	x	x	
16.	Retrospective value	x	x	
17.	Precision			
18.	Rationality			
19.	Unarbitrary character			
20.	Uniformity			
21.	Prevalence of economic over legal character		x	x
22.	Flexibility			
23.	Transparence			
24.	Periodicity			
25.	Balance between the qualitative elements			x

Source: Feleağă N. – *Îmblanzirea junglei contabilității*, Ed. Economică, București, 1996, p. 31;

The production and publishing of the financial information that are able to present correctly the above mentioned qualities must lead to some financial situations that reflect the patrimony as real as possible.

Beyond the aspects less favourable the financial information continues to be the ace in the hand of different type of users, more credible than the other information sources. At the compartments level there are still some obstacles in gaining information closer to perfection because of a conflict state induced by the qualities demanded and the one received.

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