ROLE OF ACCOUNTING INFORMATION IN DECISION MAKING AND DEVELOPMENT OF BUSINESSES

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Abstract - The role of accounting information is very important in the management and decision-making of business activities. Changes in the economic system in our country after 90's from a centralized economy to a market economy, creation of the new entrepreneurships and businesses and increasing of the role of management in decision making, necessarily require a qualitative and reliable financial information. To enable sustainable business growth it is crucial possession of complete and accurate financial information, which might be provided by the accounting information system. Managers constantly faced with the problem of accurate information because of limited resources having a direct impact on the decision making. Therefore, it is important that the financial information that provides accounting, becomes available to managers for an efficient decision making at the right moment and optimization of the resources. Accounting information system is focused on the collection, processing, analysis and communication of financial information to external users such as: investors, creditors, banks, state authorities and internal users as shareholders and managers of the entity. It plays a crucial role in addressing of business challenges related with strategic direction, decision making, risk management, internal control, financial reporting, etc. Accounting supports and contributes to the sustainable development of a business activity in general and in particular to small and medium entrepreneurships. The performance and quality of accounting information, affecting the economic and financial stability, reduction of tax evasion and informality in the economy, encouragement of national and foreign investment, creating a friendly situation for business, as well as efficient management of resources the public and private sector. Through this study we have evaluated the role of accounting information in business decision-making and successful development of their activities.

Keywords - Accounting information, decision-making, economic development, financial reporting, profitability.

I. INTRODUCTION

Accounting plays an important role in the economic development of the country, because of providing decision makers and the wider public, financial information accurate and reliable. Accounting information is necessary for all levels of economic management and to all its users. Creation of the new entrepreneurships and increase of the role of management in decision making, necessarily requires also increasing the credibility of the information that provides accounting. The need for an accurate information is essential for setting up clear goals and specific management decisions to ensure the survival and success of the business activity. An entity can't be developed without, among others, and a financial accounting system set up based on the accounting standards that ensure reliability and accuracy in connection with the presentation of the financial situation and performance of its activity[1]. Accounting information system is focused on the collection, processing, analysis and communication of financial information to external users such as investors, creditors, banks, state authorities and internal users as shareholders, managers and employees of the entity.

Accounting and accounting information is important because it contributes to economic development and financial stability, helps in the effective functioning of the capital markets, as well as allocation and management of resource the public and private sector. The performance and quality of services provided by accounting impact on reducing tax evasion and informality in the economy, encouraging foreign investment, creating a friendly situation for business, and increasing investor confidence. Accounting information plays an important role for managers and decision-makers regarding the efficient use of the resources owned by each entity. Accounting information systems collect, record and process data from the actions and economic transactions, organize them in different ways and communicate the results to decision makers. Currently, the increasing complexity of business operations, accounting information system is important for making effective decisions to internal and external users. In this context, accounting information plays a crucial role in addressing of business challenges, related to strategic direction, decision-making, risk management, reducing transaction costs, as well as optimal use of resources.

II. OBJECTIVES

The main objective of this paper is to evaluate the role of accounting information in decision-making and development of the activity of business entities. This objective will be achieved through the completion of some specific objectives:

- The role and contribution of accounting information to supporting of business activity and economic development.
- Contribution of accounting information system in providing quality services to decision makers and economic actors.

- The impact of accounting information in the management and decision-making of activity entities.

[1] Eierle, B. and Wolfgang Sch., (2013)

III. METHODOLOGY

The methodology used for this study consists in the structuring of research work based on literature research, discussions and interviews with business leaders, entrepreneurs, accounting professionals as well as experts engaged in this field. The realization of this paper aims to analyze and evaluate the role of accounting information in sustainable development of the businesses as well as their economic and financial stability.

The study is focused on the collection, analysis and interpretation of the relevant data on the role and contribution of accounting information, identifying main problems and giving some recommendations for the future.

IV. LITERATURE REVIEW

To meet the objectives of this paper we are referred to studies and viewpoints of native and foreign authors, as well as literature studies prepared by the main organizations in the field of accounting.
Accounting information system is focused on the collection, processing, analysis and communication of financial information to managers, decision makers and other economic actors. Accounting service is regulated in accordance with existing laws, guidelines and accounting standards.

V. RESULTS AND DISCUSSION

Development of business activity in the conditions of a global competitive economy and frequent changes in the fiscal regulation, the progress of information technology and the specific needs of decision makers and the public, require to ensure a qualitative and reliable financial information for stakeholders. Managers and decision-makers need to have basic knowledge for the system of accounting information.

These knowledge giving decision makers a competitive advantage, because allows them to base their decisions on financial information and better balance risk and returns by different strategy and investment.

Currently, the increasing complexity of business operations makes the accounting information system very important for effective decisions not only for internal but also for external users.

At the same time, it should be noted that a qualitative financial information is crucial not only for supporting and developing of business activity, but also to reduce the informal economy. An important aspect of economic development of a country is the existence of capital market due to the their role in the optimal allocation of resources between different sectors of the economy. To ensure sustainable increase of businesses is very important, possession of financial information in due time, which mainly can be provided by the accounting system. Performance and the quality of services provided by accounting, must respond to the requests of managers, decision makers and entities other economic actors. Accounting and its respective information contributes to the sustainable development of business activity in general and in particular to small and medium entrepreneurships.

-The nature and importance of accounting information

The process of decision making and business management requires the provision of financial and non-financial information for performance of the entity's activity. For a successful business management, it is necessary to provide a qualitative information at all levels.

Information is a precondition for success in all areas, included also the business management. Managers and decision-makers are the main users of information provided by accounting regarding the planning, control, making effective decisions as well as optimal use of resources. Accounting information system is focused on the collection, recording, processing, analysis and communication of financial information to managers to managers, decision makers and other economic actors.
Accounting information helps managers for understanding clearly their objectives, taking of the right decisions as well as in reducing uncertainty in future[2]. For this reason, the accounting information is an effective and useful instrument in decision-making and effectiveness of a business.
The information generated by the accounting system, enables increasing of efficiency of the transaction costs, the realization of agreements mergers and purchases, as well as the tax management.
The nature of accounting information is affected by the complexity and diversity of activity entities. In order to fulfill its purpose, accounting information should be flexible and in accordance with the needs and requirements of users.
Accounting and accounting professionals should provide financial information, at the right time with a minimal cost.
Our country has made significant progress in terms of reforms in improving accounting regulations, drafting and implementation of accounting standards, in order to increase the reliability of accounting information.

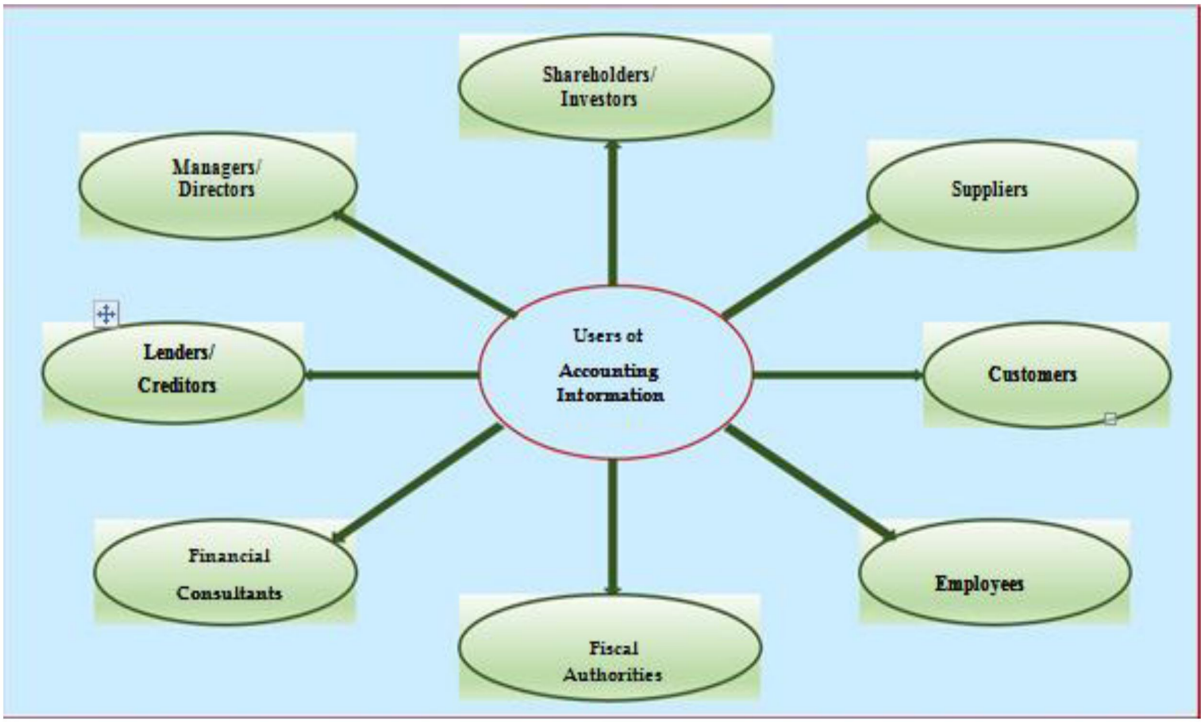


Figure 1. Users of accounting information

Accounting provides the first signal of every economic crisis, therefore being correctly implemented national accounting standards, harmonized with international standards, achieved to prepare financial statements and to provide a reliable and quality information for decision makers and the public.

It is one of the most important and objective instruments for the information and orientation of entities in order to entrepreneurs, investors, creditors, fiscal authorities, etc.

-Users of accounting information

Accounting information plays a crucial role in the strategic direction, decision making, risk management, internal control and performance of the entity's activity.

One of the main objectives of the accounting system is to provide financial information for the stakeholders, which is necessary for the decision-making and optimal use of resources.

Statements and financial reports are important in this regard, because they provide the necessary information on the performance of the activities of entity.

Accounting system as part of information systems entity, provides quality information for decision-making and profitability of its activity.

The main users of accounting information are shareholders, investors, managers, creditors, state authorities and other economic actors.

Managers constantly faced with problems of decision making and choosing the best alternatives, knowing that the resources are relatively limited. Therefore is important that the accounting information should be provided at the right time. User requirements for information rapidly changing and accounting must constantly adapt with those needs.

Regulation and improvement goes beyond accounting information content therefore extend to drafters of financial reports generated by the accounting information system. Financial reporting is important in the process of decision-making by investors and other users. Accounting information helps in successful running of business activity.

The main purpose of accounting standards and accounting regulations is to prepare the financial statements to provide realistic and reliable data on the activity of the entity.

An important factor during the practice implementation is the risk and uncertainty which associates the information. Accounting information for decision making should be oriented towards the future. Moreover, accounting information should be directed to fields where are encountered more problems with main purpose to facilitate management operations.

[2] Silviu-Virgil, C., (2014)

-The role of accounting information in decision-making

In conditions of a global economy to ensure sustainable development of entrepreneurships and businesses in a competitive market, it is vital possession of reliable and quality financial information, which is offered by the accounting information system. The decisions taken by management could be improved if information gathered about the various alternatives will be available to them.

Accounting information system, includes data collection, data recording and their procesing providing to the managers the adequate information for decision makers[3].

This information helps them in making decisions effectively in the fields of planning, implementation and control of the entity's activity.

The data recorded and processed through the accounting information provide stakeholders, periodic financial reports on financial condition and performance of businesses.

An important function of accounting is the evaluation. The process of evaluating the elements that are presented in a financial statements is very important in providing a qualitative accounting information.

Accounting in itself can be considered as a complex system in function of the regulatory role through the design, development and implementation of accounting standards, in order to provide a quality, transparent and reliable financial information for economic actors.

-Offering a reliable and qualitative accounting information for economic actors

The provision of reliable and accurate financial information, affecting the encouragement of investments, in the relationship between shareholders and managers as well as in the confidence of investors and creditors.

It is widely arguing that the quality of financial reporting has a chain effect and impact on decisions of managers on the activity of the entity. Managers during the process of decision-making for investments take into account the financial statements, as well as choose an investment project that brings the highest profits. Inaccurate and asymmetric financial information reduce the value of assets on the market.
Albanian private economy is relatively new and informality has been part of its development. This is due to the fact that a number of entrepreneurships are still far from awareness and evaluation of accounting information, the necessity of holding regular documentation etc. It is important that all managers must develop financial and economic programs for the progress of their activities.

[3] Binaj, A., (2012) [4] Lati, L., (2012)

But in those entities, where the accounting profession is qualified and financial information is accurate and reliable, the efficiency in getting the right decisions is higher.

Improving the quality of financial reporting and provision of a reliable accounting information, are important issues in the conditions for developing a global and competitive economy. Implementation of accounting standards in the entities and improvement of the legal and fiscal framework is a challenge for our country.
Information provided from accounting affects the economic development and financial stability of the country. The recent financial crises, changes in financial reporting and fiscal system, increase of the foreign investments in the country, advances in information technology as well as the specific needs of decision makers, require increased reliability and quality of financial information.

Accountants have an important role in this process. In relationships with business executives, they should be objective and use their professional knowledge in accordance with accounting standards and regulations. Accounting gives the first signal of any economic crisis therefore being implemented correctly national accounting standards harmonized with international standards, reached to prepare financial statements and to provide a reliable and qualitative accounting information for decision makers and the public.

In conditions of globalization of the economy, where the business environment rapidly changing, needs of decision-makers made more specific. It means that accounting professionals to be prepared for these changes by improving their knowledge and professional skills.

CONCLUSIONS AND RECOMMENDATIONS

Referring to the role of accounting information in decision-making and the development of business activity, as well as challenges for the future, we conclude that:

- Accounting information system contributes to the successful direction of business

activity and economic development and financial stability of the country.

- Accounting information plays a crucial role in addressing of business challenges, related to strategic direction, decision making, risk management, reducing transaction costs, as well as optimum utilization of resources.
- Information that accounting provides, supports and contributes to the sustainable development of business activity in general and in particular to small and medium entrepreneurships.
- The provision of a reliable and accurate financial information, affecting the encouragement of investments, in the relationship between shareholders and managers as well as in the confidence of investors and creditors.
- Accounting plays an important role, because it provides decision makers, managers and economic actors, documented financial information for the financial position and performance of the entity's activity.
- The performance of services offered by accounting professionals and the quality of financial information, affecting in reducing of fiscal evasion and informality in the economy, encouraging of foreign investments, increasing of competitiveness the businesses and management of resources the public and private sector.
- Accounting professionals must implement with responsibility and objectivity rules and accounting standards, by offering qualitative services for economic actors.
- Improving the quality of financial reporting and provision of a reliable accounting information for stakeholders, plays an important role in decision-making and the development of businesses in conditions of global and competitive economy.
- Accounting information is an important instrument for managers and decision-makers related to optimal use of resources, drafting and implementation of the objectives of entities.

[5] IFAC, (2008)

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