

SYNTHESIS FINANCIAL INFORMATION- BETWEEN UTILITY AND USERS IN THE CONTEXT OF THE COVID-19 PANDEMIC

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***Abstract:** This material aims to bring to the fore, through an empirical approach, corroborating the literature with the authors' view, the main features of accounting information in financial reporting in the normal context and in the context of the COVID-19 pandemic, on the one hand, but also the directions of use of this information both against the background of normal conditions in parallel with the situation created by the COVID-19 pandemic on the other hand. This study combines significant elements of economic epistemology, such as: brainstorming, analysis and synthesis, dynamic or comparative study, in order to emphasize the sensitivity of financial reporting and its information users in an exceptional, distortive context.*

Keywords: *financial reporting, relevance, information, economic entity, economic decision.*

JEL Classification: M41

Introduction

The information provided by financial reporting has always been extremely important for both internal and external users, who use it for separate purposes, taking into account their own interests. Taking into account the multitude of events that constantly arise at the level of economic entities, it is urgently necessary to be aware of all these aspects, in order to be able to resolve the required requests.

In the current context, due to the appearance and spread of this COVID-19 virus, a series of disturbances have been generated both in our country and globally in terms of the economy. The result of this virus had certain effects on the financial reporting for 2019, especially in areas that have been affected since 2019.

In our country, due to the fact that this COVID-19 pandemic was decreed in March 2020, it will have an impact on the financial reporting from 31.12.2020, affecting the result of the year.

Since the decree of this pandemic, in Romania, in a very short time, thousands of economic entities have faced major problems in terms of sales, inability to pay bills from suppliers as well as employees.

Financial reporting is expressed as a very useful utility, due to the fact that it includes elements, which subsequently undergo certain transformations, in particular transformations of content and form, finally obtaining the quality of information, these referring to the financial

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position and the performance of the economic enterprise, as well as information on cash flows, all of which serve a multitude of users for economic decision-making.

Review of the specialized literature

In a concise, selective way, the current stage of knowledge, in a national and international context, will be highlighted in the following.

Bătrâncea (2006) appreciates the exact representation in financial reporting as a fundamental premise regarding the relevance of economic decisions and, at the same time, as a fact generating an immeasurable importance in terms of future performance.

Bucătaru (2013) highlights the relevance of the informational content of financial reports regarding the analysis of the financial structure and financing of the economic enterprise.

Brealey et. al (2016) considers that the sincerity of financial reporting can be a fundamental principle of corporate finance.

Broderesen et. al (2018) is of the opinion that relevance, sincerity and objectivity constitute a “productive accounting”, from the point of view of its usefulness for various categories of users.

Cernușca (2012) highlights the importance of accounting policies and notes and also of creative accounting in defining accounting as “stake” and “social game”.

Cernușca (2013) highlights the intertwining of taxation in the accounting of our country and its repercussions at the level of financial reporting.

Domnișoru et. al (2014) considers that an objective current accounting entails, in an implicit way, a qualitative financial reporting.

Fridson et. al (2011) are of the opinion that the relationship of relevance-exact representation within the financial reporting automatically determines a qualitative informational capitalization and decision-making focused on the fundamental objective of any economic enterprise, concretely, profit maximization.

Gomoi (2020) focuses on the principle that an accurate representation of the financial position is a generating factor and a consequence of a qualitative financial management, while an accurate representation of financial performance is a starting point, sine qua non, for a management of optimal performance.

Ilie (2020) highlights the impact of the COVID-19 pandemic on the Romanian labor market, highlighting the crisis generated in the maintenance and remuneration of the labor factor by private companies, as a subject of financial reporting.

Nichita et. al (2020) addresses the impact of the COVID-19 pandemic on the financial reporting of private companies using IFRS.

Păunescu (2020) brings to the fore various strategies for optimizing the costs of companies with the labor factor, as an essential element of financial reporting, both as current debt and operating expenses.

Siddiquei (2020) deals with the economic implications of coronavirus in the global economy, implicitly in financial reporting, as a mandatory and particularly important step in corporate accounting.

Șova et. al (2020) points out the relevance of digitalization in terms of the optimal development of company accounting, implicitly financial reporting.

Research methods

The research methodology is based on a combination of methods and techniques specific to economic epistemology, among which we mention: the assault of ideas, data analysis and synthesis, the comparative study in spatial and temporal plan, the dynamic study.

The assault of ideas, as a general research method used, is found in the entire content of this article, mainly in the impact of the COVID-19 pandemic on financial reporting and on the usefulness and users of financial information.

Analysis and synthesis are two complementary research methods approached both in terms of generalizing the main features of information in financial reporting and in the context of the usefulness of financial information for their recipients.

In a corroborated manner, dynamic and comparative study in spatial and temporal context was used in terms of substantiating the impact of COVID-19 at the level of different categories of users and at the level of various companies, depending on the field of activity.

Results and discussions. Accounting information in the normal context and in the context of the COVID-19 pandemic

Information has always been a form of power that offers a wide range of immeasurable benefits, and today, all the more so the powerful nature of information is known to all of us. In order to support the impressive role of information and, therefore, financial reporting, we will mention the one who is appreciated the founder of modern marketing, none other than Philip Kotler. He believes that securing the future of an economic enterprise lies in the proper management of information.

Relevant financial information is that reporting that has the ability to support information users in making decisions.

In order to maximize the quality of information, it is absolutely necessary, in other words, that the aspects have some characteristics, such as: reliability, relevance, comparability, comprehensiveness, and, at the same time, objectivity.

Reliability focuses on the fact that the elements of financial reporting must instill in users confidence and security. The COVID-19 pandemic, despite the observance of the principle of the true image, diminishes the reliability of the information from the financial reporting, as a consequence of some activities such as: inhibition of investment, acceleration of disinvestment; disturbances in stock management; gaps in the natural flow of debts-receivables; normalization of the treasury to the "emergency" rate; oversizing foreign working capital and undersizing own working capital.

Relevance presupposes that the information in the accounting documents refers to the significant aspects at the level of the events to which they relate. This information is relevant when determining the economic decisions of users, facilitating the correct estimation of events that have been in the past, are current or will be in the future. The information is also considered relevant if it is provided on time and has both a predictive value and an attestation value. The COVID-19 pandemic does not significantly affect the relevance of financial reporting information, but it does generate some polarity changes: shifting the perspective from working capital (dimensionally reduced equity) to foreign working capital (long-term bank loans and leases remaining available to companies for a longer period by easing payment deadlines); increasing attention in managing suppliers in order to prevent stockouts; financing supplies from working capital to a greater extent than from liquidity.

Regarding the comparability of data, it is absolutely useful to cover two aspects, at the same time a comparability in time, as well as a comparability in space, concretely, the information to highlight the evolution from one time interval to another, but also to be adequate to some similar enterprises. The COVID-19 pandemic does not significantly affect the comparability of financial information in a temporal context, but there are major spatial differences (companies with pandemic-stimulated industries - pharmaceutical industry and pandemic-inhibited companies - transport and HoReCa) .

The last two features we refer to, but being the last, are constituted by objectivity and comprehensiveness. The first feature aims to make the information in line with reality, and the

second feature is to make the data easy to understand and accessible to all users. With regard to the COVID-19 pandemic, it does not significantly affect either objectivity or comprehensiveness, given that the reality is presented as accurately as possible, undistorted, but in accordance with the current context, and the notions used are the same, only the sizing their is different.

Informational content of financial reporting and users

Users or recipients of accounting information may be broken down into internal and external users.

Internal users are represented by the management of the economic society, they are concerned with certain financial indicators such as profitability, liquidity and solvency, but also to increase the quality and productivity of economic activity in general. The COVID-19 pandemic posed a challenge for domestic users of accounting information, who in most economic entities had to rethink their operating policy, based on supply-sales, debt-collection, debt collection and treasury regulation, on the other hand. -on the one hand, the investment and financing policy, based on investment-divestment and own-foreign working capital, on the other hand.

These external user divisions focus on accounting information in various ways, as each of them uses aspects of financial reporting for a specific purpose. Based on this reasoning, we will try to highlight the need to research and identify the information in the summary accounting documents of all categories of users, in part.

In the following we will mention certain categories of users in order to observe the impact between them and the relevance of the information provided by the financial reporting.

We will start with the shareholders, along with the potential investors. In the foreground, shareholders are concerned about the benefits that they may obtain as a result of the investments they have made in that economic company, in other words, they are concerned about whether the company has the opportunity to grant them dividends. Also, through the information in the financial reporting, the shareholders take certain decisions regarding the continuation of the investments in the respective company or, on the contrary, their revocation. So they decide whether to buy, sell or keep their shares. The COVID-19 pandemic generates changes in the value of shareholders' assets at the level of financial position and at the level of changes in equity in the sense of decreasing certain areas of activity (transport or HoReCa) or increasing other areas of activity (pharmaceutical industry or courier).

The second category of users is drawn up by the state, through its institutions, which needs information in order to control the correctness of taxes and duties due to the company, but also for various statistics that are compiled at the national level. The state is substantially affected by the COVID-19 pandemic in its interrelationship with private entities, as a consequence of the numerous fiscal facilities granted.

Another very important category of users are the commercial partners, who are represented by suppliers and customers. Therefore, suppliers are concerned to know whether the economic company will honor their obligations at maturity, and customers are concerned about not interrupting the company's business, ensuring that there is no risk of the company reaching the liquidation process. The COVID-19 pandemic has made a massive impact on trade partnerships, causing significant disruptions to both supply and sales. At the supply level, there are overstocks or stockouts and payments from suppliers at irregular intervals, and at the sales level we are witnessing artificial demand peaks, accompanied by irregular receipts and price distortions.

Banks are another category of users, who are concerned with certain information in order to protect the repayment of loans and, last but not least, their interest on term. The COVID-19 pandemic affects banks' relationship with entities by renegotiating interest rates and restoring maturities corresponding to loans granted.

Employees are interested in knowing if the company is profitable and is financially stable in order to ensure optimal working conditions, more specifically, a higher salary, competence and

training in the workplace, also a very essential aspect. In these respects it is the provision of security within society. From the point of view of the COVID-19 pandemic, employees represent one of the most affected categories of users, given the frequent situations of technical unemployment.

Regarding financial analysts, they request information in order to identify the factors that determine the financial market, which is why they systematically assess the risks to which the company is subject, after which they develop certain proposals for strategies for future investments. In the context of the COVID-19 pandemic, financial analysts are extremely concerned and active, on the one hand to identify the impact of such a situation on financial indicators, and on the other hand to provide theoretical solutions that can be practically transposed.

Conclusions

Given the above, we can conclude: the information that is provided in the financial reporting is very broad and is intended for a wide range of users, who use them for different purposes, taking into account their own interests.

Financial reporting also aims to facilitate economic and financial decisions for users of accounting information, which is why the information is absolutely necessary to be of quality in order to maximize the efficiency and effectiveness of those who use it.

Taking into account the current situation which is very difficult for most companies as a result of this COVID-19 pandemic, a series of legislative projects, various guides and specialized papers have been developed which contain various information in order to come to the aid of users. Unfortunately, a large number of economic entities have faced major problems, even ceasing to operate, but there are also companies that have experienced substantial economic growth due to this crisis.

The COVID19 Pandemic has created a major global economic problem. The impact generated at the level of the financial reporting of the economic entities that are affected, can be observed separately, depending on their period.

In the case of entities whose reporting period is the calendar year, this crisis is a subsequent event, which is why it will not generate the adjustment of economic and financial information prepared in the financial statements, but the version in which this crisis had an impact on that entity, it will be requested to mention some complementary data in the accounting notes.

The directors of the companies for which the financial statement is to be drawn up must take into account the principle of business continuity and estimate the capacity or inability to continue the business.

Taking into account the above, financial-accounting information has a great significance for users in any situation we are in, whether we are affected by certain events, crises or, all aspects of their normal course.

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