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ANALYSIS BETWEEN ACCOUNTING INFORMATION DISCLOSURE QUALITY AND STAKEHOLDER INTERESTS

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Abstract

The evolution and globalization of the markets, financial scandals that collapsed the American and European economical systems, pressure growth from investors over economic performance, underlined the fundamental role of economic-financial communication, corporate governance model and information transparence have over the information disclosure quality.
The main objective of this paper is the ratio analysis between accounting information disclosure quality and stakeholder interests and the effects that this ratio generates at a entity management level.

Keyword: disclosure quality, accounting information, stakeholders interest

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I. Introduction

In this context, the economic-financial information impact keeps growing, implicating a high number of investors or other economic-financial information users that have different expectations which in turn have determined an exponential growth in investor pressure over management, in terms of “pursued results”.

External information is thus placed in the center of a complex series of relationships between entities and the ample and mixed stakeholder palette which are characterized through different interests and objectives (Salvioni, 2002); having a decisive role in the balanced development of entities which are dependant of optimal financial resource availability and allotment which is necessary in order to generate competitive advantages and produce income; financial markets are actually the main channel of access to these resources, representing a needful element to entity and economic system development.

From this point of view, financial-economic communication eases the correct orientation of internal behaviors and administration, having as a base, the external consensus which is fundamental for resource renewal.

The close relationship between information and the investor decision making process marks the origin of the increasing importance of information as a fundamental variable in investment decision guidance, acknowledged by all entities.

In an already developed capitalist economy, market access is represented by the idea of risk resources renewal, necessary to maintaining competitive advantages. Entity success on the financial market is mostly dependant of investor reports management and information given to them. In the following and completion of activity performance and income objectives, the results can be satisfying only if they are accompanied by a correct transparence and communication with the market (Cuervo, 2002).

Entity capacity of acquisition of the necessary consensus from investors and correlated resources is conditioned not only of economic performance and:

- Information dissemination, meant to ease evaluation processes;
- Timely selection of content, time and message communication methods, in relation with known expectations, specific to several types of recipients;

Economic management efficiency finds support in external and internal information dissemination; entities are specifically targeted at behavior rationalization in

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order to achieve managerial objectives, while external information is directed at satisfying the expectations of various stakeholder classes.

In the communication processes area, in order to maintain economic efficiency, one of the main roles is defined by messages with financial-economic information, which represents effective or proposed method synthesis, in order to obtain income. Through the financial-economic information system, an entity communicates the rate of efficiency and effectiveness achieved during administration, through relevant, synthetic and selective information dissemination, meant to symbolically express complex phenomena and the “fruit” of ample number of interrelations.

Above all, disseminated information determines financial market operators to elaborate opinions regarding future administration development methods, which, as is known, sit at the basis of the trust amount that markets have in economic entities. Financial-economic communication gains its main relevance in both internal behavior orientation and in external administration of consensus, finalized through quantitative and qualitative resources, able to satisfy the needs of the entity (Spaventa, 2002.).

As a result of financial-economic information relevance, regarding the global efficiency of the economic system, pressure exercised from multiple directions towards the entity, amplifying governance and related informational flux difficult (Rodorf, 2002).

The most obvious evidence, is represented by the latest financial standards, which clearly prove the fundamental information role, but mainly, the damage made to the economic system and each participating entity, as a result of a bad information or inadequate information, uncontrolled and unverified.

The spasmodic pressure made by investors on accounting results, determined alarming and even vicious circles; the positive expectations of investors represent to themselves a essential condition in entity survival; satisfying these expectation this turns into an priority exigency, ending when it overlaps with the original entity administration objectives. The possibility of maintaining economic success conditions is influenced by a series of factors not mainly inherent to the effective entity performance, such as: the perception of various market actors; the handling capacity of messages targeted to identifying the satisfaction level of these expectations; the establishment capacity of trustworthy reports with market operators and the timely management of external consensus; market globalization and shortening the time in which the evaluation processes need to take place, emphasizing subsequently the relevance of communication models for the activation of positive relations between entities and the external environment.

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II. The ratio between information quality and the corporative governance system. Attracted effects

The structural, cultural and organizational characteristics of each entity influences in a determined manner, the communication mechanisms, content and typology of information provided to the market.

External information quality mainly depends on the variables of the external environment, especially referring to:

- Legal rules referring to annual financial reports and institutional informational system;
- Regulations regarding corporate governance;
- Prescriptions provided in national and international accounting standards;
- Features and requirements of financial-economic information recipients;(Onesti, 1994)

When confronting such external variables, the challenges entities face, consist of identifying the information user category identification and the "point for point" understanding of informational exigency, specific and diversified and the weight decisional effects on economic administration (Gray, 1988.). Information nature and communication process configuration depend on these elements. Informational needs satisfaction is actually a main requirement in view of maintaining investor trust. The large actual and potential information user category involves an extension of provided information importance in an informal manner. Besides regulated markets, for example in the case of "family" enterprises, information circulates through informal channels or even through personal contact with customers and suppliers and through direct reports between entity management and referenced investors.

Calder (2008) states that entities must create a business analysis, in order to identify the main risks it can encounter and to establish in which direction the strategy is heading, in order to create a precise ratio between information quality and corporate governance (Calder A., 2008).

In countries with powerful economy, in the presence of efficient financial markets it is impossible and even inappropriate, to obtain an adequate knowledge of the entity and the management through direct contact; the only piece of information available to stakeholders is therefore the balance sheet; periodic reports; presentations made by

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analysts. Thus we can understand the impatience with which operators await information publication. A negative result, or under the expectations can affect investor trust and thus, can place the entity in a series of difficulties, including the future functioning of the company.

The market dynamic acceleration, which at the origin of information request, becomes more numerous, in shorter periods of time, constitutes a later pressure element over the financial-economic informational system. In this direction, the stock market surveillance bodies, grew in a general manner, the mandatory information requirement, under the aspect of content and document frequency.

The content and information frequency permit the overcoming of limits imposed by back-in-the-day annual reports, often inducing a short and very short orientation, towards a coherent contrast with the durability requirements and the timely development of the entity.

III. Financial-economic communication credibility and the coherence with the governance system

As a result of the considerations presented in this subchapter, it becomes understandable how in modern capitalist systems, the subject of external financial-economical communication was debated. Accepting financial-economic information relevance, needed to satisfy the requirements of a vast category of users and also information manipulation, collide with a few elementary economical ethics principles.

Analyzing the factors from the context, on which external information quality depends (balance sheet, corporate governance, national and international accounting rules and regulations; characteristics and user requirements), it is necessary to point out how accounting regulations, through the very nature of the balance sheet and inherent subjectivity of evaluation processes that stay at the base of flexibility, which consents to operators for them to take advantage of a relevant degree of discretion that can easily lead to data, information and result manipulation, in the absence of an efficient control system.

The effective capacity that external information has regarding the correct representation of the financial-economical situation of the entity must be guided through other channels that undergo rules regarding management and economic activity control.

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In the so-called COSO-Report[1], internal control system objectives are classified in three categories (Moeller, 2007):

- Economic operations efficiency and efficacy;
- Information and financial report credibility;
- Administration compliance with laws and regulations.

Regarding our subject, a major interest is represented by defining information credibility, which in the opinion of Italian economist Messier, can be interpreted and evaluated in terms of:

- Existence – information must reflect operations and facts that effectively exist;
- Completeness – the area that information provides to the interior or exterior of the entity must be complete;
- Accurancy – information must not represent simple superficial data, but relevant and detailed study elements;
- Classification – information must clearly respect classification parameters regarding the optimization of beneficiary advantages and minimizing search time;
- Timing – information value will be calculated not only from its inherent precision but also from the amount of time needed to obtain it;
- Detail tie-in – conclusion evaluation must be correct;
- Realizable value – information must be the result of a correct evaluation, in accord with laws and general accepted rules;
- Rights and obligations assignment linked to administration operations;
- Presentation & disclosure – information use and accessibility is dependant of the modality through which they are presented.

The necessity of a full information transparence, which become an indispensible element in economic competition, passes through the efficacy of the corporate governance system, exactly through the control system (Stemberg, 1998).

Adequate accounting regulation is imposed, as a necessary but not sufficient condition to the achievement of information transparence.

Obligatory disclosure must be part of an integrated communication process, not only to comply with rules, but to also cohere with governance systems, with the position regarding the reference external environment and the base strategic orientations.

[1] Coso = defines internal control as "a process intended to offer council to the administration, management and other staff components, in order to provide rational assurances regarding the fulfillment of objectives proposed by the entity"

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The correct orientation of communication choice implies the affirmation of a culture headed to constant improvement of information quality, in conformity with the path performed on valid models of management of the transparence intensification and communication competence consensus.

Normative prescriptions must not represent the only promotional external communication element, it must defined through constant recognition-evaluation satisfaction objectives, while respecting necessary equality and need.

Legislative intervention, necessary to confer a common base of reference and a direct unique line, in drawing up the balance sheet, cannot solely guarantee transparence and conformity principles compliance, because of the indiscretion that cannot be undetermined when wording the balance sheet and grown economic complexity; confirmations are represented by internal regulation initiatives, in order to discipline areas uncovered by law and to provide information that was not requested but is useful for investors. From an economic point of view, a regulation excess can be more harmful than an inefficient verification. A number of optional rules, accompanied by incentives oriented and supported by an application of the highest transparency, can constitute an optimal applicability point.

Thus, we can distinguish between mandatory disclosure, derived from normative factors with the purpose of protecting third parties, guaranteeing stakeholder information and voluntary disclosure, unsolicited by normative sources, but proposed by each entity in order to complete and inquire mandatory disclosure, to be appreciated on the market.

As has already been said, normative obligation existence isn't a guarantee of communication quality; it is significantly influenced by the specific characteristics of each entity. Particularly, financial-economic information efficacy, mandatory or not, tends to reflect the dominant cultural characteristics. Regarding mandatory disclosure, it is necessary to observe that in most EU countries, the lawmaker tried, especially in the last few years to standardize European information systems that are oriented towards transparence, investor protection and market efficiency. In the context of rising competitiveness, they must confront global market requirements, made of international investors that are more and more interested in entity economic results and information fluxes that come from it.

The actual challenge for most companies is the confrontation with social organization models, developed by evolved economical systems; the comparability of governance structures and economical information become a necessary element in virtual

entity behavior capitalization. Investors, even foreign ones must be able to identify easily the main entity characteristics, but also legitimate motivations of possible misalignment at best practice.

A better informing leads to entity reputation growth on the market, because quality manifestation in management and administration is more visible. Thus, it is obvious that in self-interest, entities must, before anything else, substantially update recommendations that try to regulate economic activity and communicate clearly, transparent and direct, all of the necessary information to external subjects.

Elementary external information problems refer to (Capoldo, 1975):

- Communication strategies – substantially corresponding to sustainment exigency regarding entity value growth (for example the registration of inexistent or improbable revenue, financial make-up operation adoption, finalized through the presentation of balance situations, better than the effective one, etc);
- Financial-economic content, oriented to the legitimation of results, fit to guarantee the smallest fiscal drain (usually through growing costs in the income summary or through protraction beyond competence connotation).

This type of behavior determines a communication far from the minimum transparency and neutrality requirement that is a clear responsibility between the administration process event and messages sent by the entity and a just attitude regarding all information recipients (Peres, 2002).

Financial-economic information efficacy, for example financial reports that represent the format most frequently reported, results as heavily mined, taking into consideration that information transmitted to the exterior, adds to the qualification of the entity image, either to create the possibility of a acquisition or losing consensus regarding it. As demonstrated in the latest financial chronicles, there doesn’t exist a diffuse transparence culture; as an effect of communication quality limitation, there exists a critical component from information recipients or the subjects that should through their investments sustain the entity and economy in general.

The necessity of recovering the so-called validity of financial-economic communication (Corvi, 1997) is obvious: it is needed to modify the attitude that dominates, reevaluating the scattered general universal principles (fidelity, clarity, precision, neutrality, informational completeness, prudence, comparability and significance), principles that are often cited, but often forgotten, in order to limit the deployment of transparence values. Economical scandals connected to communication

manipulation, which through covering up critical factors, detained the manifestation of uneconomic situations in the moment that they could have been resolved should have determined entities to figure out the importance of transparence in view of improving inter-economic relations. Investor trust recovery and declaring transparence as a must, characteristic to financial markets and as inspiring factor to external communication processes, inevitably pass through a revision of governance systems and society control.

Bearle and Ueons (1932) state that through corporate governance we must understand "the assembly of institutions, practices and rules conceived to prevent expropriation of external investor rights, that aren't implicated directly in the management of the entity by the internal managers, investors or majority stockholders". Generally, the term of corporate governance contains all the rules that discipline the entity governance, moreover the efficacy of such rules, from which descend, if not exclusively, eventual incorrect behavior of the manager.

The subject of corporate governance, of its applicative models and the methods through which they are in measure to avoid or prevent accounting fraud cases, have been situated for a few years in the center of academic debates, of investors and national and international institutions.

Van Daelen & Van der Elst consider that entities need a business control, an accounting control and a tax control in order to survive on the market, aspect that is achievable through efficient risk management through corporate governance (Van Daelen, Van der Elst, 2010.).

Some time ago, the USA governance model, which is focused on "public company" and CEO power, was generally indicated as a model that can be followed by the rest of the globe, because it was considered to be the first able to assure global efficiency through continuous monitoring of entity activity, market function and efficient allocation of resources and control rights. Realistically, the financial scandals that have filled the international press, have proven that this type of assurances were never true or safe; the American managerial model isn't at all good for financial scandal prevention and it is currently considered a model that needs to be reviewed and reformed fully. The problem of corporate governance must be reconsidered without prejudice and simplistic idealization; fundamental objectives must be the ones linked to creating a governance system that can become an efficient antidote to external pressures that lead to fraud and that can guarantee a controlled and continuous information flux between stakeholders and entities (Mitchell, Agle, Wood, 1997).

IV. Conclusions

Informational transparence value identifies an essential requirement to the continuous creation of convergence between administration and information content and the salvation of ex-positive clarity of various documents periodically transmitted to the exterior. Transparence should thus, unburden the achievement of a unitary system of behaviors and messages coherent between themselves, centered on the constant representation of enlightened phenomena, of economic dynamic.

Dissemination of a information transparence culture is, as was proven, a mandatory passage for financial-economical information efficacy recovery; besides this, transparence values are fundamental to obtaining the internal coordination and guaranteeing the link between various entity components.

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