Volume **XI**/2019 ISSN 2344-102X
Issue (XXI) / **October** 2019 ISSN-L 2344-102X

THE CONTRIBUTION OF DISCLOSURE OF NON-FINANCIAL INFORMATION TO THE INCREASE OF THE QUALITY OF ECONOMIC-FINANCIAL COMMUNICATION

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Abstract
In the current context, corporate responsibility and transparency have gained great importance to meet the information needs of various stakeholders. Thus, non-financial reporting is becoming more and more an integral element of the strategic and financial information needed to evaluate a company and to understand its future prospects. The purpose of this article is to explore and identify the difficulties and limitations encountered in the process of economic-financial communication, when faced with the lack of information considered useful for certain stakeholders.

Key words: *disclosure; economic-financial communication; voluntary communication; non-financial information.*

JEL Classification: *M41.*

I. INTRODUCTION

The need to regulate the communication of additional information, in the context of the internationalization of companies, can be based on the fact that voluntary disclosure is unevenly spread. In some countries, such as the example of Scandinavian countries, there is a long tradition of voluntary disclosure (Artsberg & Arvidsson, 2007), and in other countries, such as Ireland, there is a low interest from companies to voluntarily disclose additional information (Brennan, 2001).

At the same time, Wyatt (2008) draws attention to measures to discourage the communication of additional, detailed information, separate from those provided voluntarily to the external environment, arguing that this aspect is not regulated by specific rules.

However, some authors do not consider disclosure, whether voluntary or mandatory, to be the right solution. On the other hand, Luft and Shields (2001) state that it is important that information about intangible assets is disclosed, or capitalized. Barth, Clinch and Shibano (2003) and Wyatt (2008) believe that further disclosure is not an alternative that can replace the recognition of information in financial statements, as there are two different ways of providing information, which in turn generate different effects on share prices.

In the financial-accounting literature, it is often argued that the voluntary disclosure of financial and non-financial information regarding investments in intellectual capital, sometimes replaces the recognition of intangible assets in financial reporting (Mihai, Socea, & Ciubotariu, 2012; Morosan, Grosu & Zubaș, 2016).

In some studies, the authors are concerned to find out whether the existence of intangible assets in the assets of an entity can explain the advantage of obtaining relevant and concrete results regarding the evolution of the company, suggesting that it would be necessary to capitalize the internally generated assets or to disclose the information related to the elements of intangible nature through a standardized format.

For example, the contribution of the so-called organizational capital to the increase of these benefits can be evaluated from two perspectives, namely: its direct contribution to the increase of the revenues and/or through its ability to save/reduce the operational costs.

Some authors consider that it is difficult to evaluate the relevance of the value of the research and development activities only on the basis of the size of the expenditures, as additional information is needed on all the successful and unfinished projects (Francis & Schipper, 1999: 323).

Regarding explanations on customer loyalty and competitive advantage, there is limited information, which is mainly due to the lack of theories or approaches regarding how value is created through the contribution of these factors. The goodwill is, in general, overestimated, this aspect arises especially after the application of the impairment test, provided in the standard of IAS 36-Impairment of assets.

In the opinion of the aforementioned authors, the theoretical and empirical studies focused on the process of value creation should be methodologically improved by a well-grounded theory that explains/escribes the factors, but also the ways of creating value.

Volume **XI**/2019 ISSN 2344-102X
Issue (XXI) / **October** 2019 ISSN-L 2344-102X

In order to be able to formulate and implement such a theory, a series of internal information is needed first, and even under these conditions it may be difficult for the entity's management to evaluate the value of the costs related to intangible assets, because in reality almost all investments in tangible and intangible assets are often uncertain by definition, since investment expenses are expenses made in anticipation of future benefits. However, as Wyatt (2008: 221) points out, there is a significant difference between intangible and tangible assets, primarily in terms of material consistency and their perception by stakeholders. In recent years, the interest of large companies to invest more and more in intangible assets has increased, but the associated risks are higher than the investments in physical assets.

Romanian companies have been reluctant to increase transparency and communication of information, so voluntary disclosure of information has long been difficult to conceive. More and more voices argue that increased disclosure brings benefits that far outweigh the costs involved and that such a benefit is the reduction of the cost of capital (Manea, 2013). EU Commission analysis showed that European companies that publish information on financial and non-financial results adopt a longer-term perspective in decision-making processes, incur lower financing costs, attract and retain talented staff, have better performance, maintain better relationships with consumers and stakeholders, minor and less important interruptions of the business.

II. Relevance Of Annual Financial Statements In Relation To The Degree Of Disclosure Of Intangible Assets

The purpose of financial statements is to provide relevant information to users in making economic decisions (Hlaciuc, Mihalciuc & Apetri, 2008). The information in the financial statement was criticized for not reflecting the changes in the uncertainty of future economic benefits and costs related to intangible assets and there was a growing concern about the low relevance of the value and the reliability of the financial statements.

Some of the concerns expressed regarding the current reporting model focus on the content of the reported information. An increasingly common assertion among researchers is that the current reporting model does not recognize and measure economic assets that create shareholder value (Hoegh-Krohn & Knivsflå, 2000: 254). Some reasons for this might be that either accounting standards or practices have not changed as the business has evolved, or accounting standards and practices have changed in ways that do not provide value-relevant information (Ciubotariu, Zlati & Nuca, 2019).

Lev and Zarowin (1999) found a significant increase in the ratio of market value to accounting value of US entities from 0.81 to 1.69 between 1973 and 1992. Basically, this means that almost 40% of the entity's market value is not reflected in the balance sheet. They argue that intangible assets are the reason for the decline, as investments in such assets have increased significantly over the last three decades, and current accounting practice has created a discrepancy between the entity's accounting value (acquisition cost) and the market value, reflected by the share price on the stock exchange. Goodwin and Ahmed (2006) analyzed the relevance of the value of intangible assets in Australia between 1975 and 1999 using regression analysis. Overall, the results indicated that the relevance of earnings and book value increased for those companies, which value intangible assets.

Although IFRSs include different guidance regarding the disclosure of information related to the intangible assets identified and recognized in the financial statements, they do not provide additional information regarding the unidentified intangible assets, i.e. those generated internally (Horga, & Grosu, 2008; Grosu & Lupu, 2016). However, in the case of expenditures for the research-development activity, the IFRS norms require that the aggregate amount of the expenses be recognized and reported, but without needing a more detailed description of them.

Moreover, information about other issues on the nature of the expenses, such as the training /perfecting expenses, or the expenses related to the advertising and promotion activities, should not be reported or explained. Although the historical cost (of the assets) itself is not necessarily a direct indicator for future cash flow inflows, we believe that a more detailed information on investments in marketing activities, or in staff training and improvement can significantly contribute to a greater understanding of the economic growth potential of the entity, increasing the quality of the workforce and the competitive advantage.

There are authors who argue that the non-recognition of unidentified intangible assets in the balance sheet may mean the opportunity for voluntary entities to disclose them on a voluntary basis, this option being considered a better way of informing; also some authors affirm that the possibility of voluntarily disclosing these types of information would contribute to a more active stimulation of the market on which the entity operates, and considers that only in extreme situations this information can be mandatory. For example, Skinner (2008) states that he does not believe in binding rules and that each industry and company implicitly is different in its own way, and the measures it should take are different for each individual, and therefore will be difficult to standardize. Also, the author considers that if mandatory rules are issued, they will have a high degree of generality to be able to cover all the existing divergences, and for this reason, implementation problems associated with a significant risk, will emerge altering the disclosure, in the sense that this information may have a vague character, not registering in an

Volume **XI**/2019 ISSN 2344-102X
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optimal satisfaction of the interests of the stakeholders (Cosmulese, 2017: 45). Another example is the U.S. where there is evidence that when the FASB develops standards characterized by a high level of flexibility, in order to protect the confidentiality of the information communicated by a company, they face a significant level of non-compliance (Artsberg & Mehtiyeva, 2010).

In the same context, Dedman, Mouselli, Shen, Stark (2009) seem to agree with Skinner's arguments, demonstrating through a research study that there are minor interests regarding the need to regulate the disclosure of additional information on intangible assets. However, there are cases of financial scandals in the biotechnology sector (i.e. the BSE Scandal of 1995) in the United Kingdom, where representatives of these companies argue that stimulating the market through additional information can not only have positive effects, and adverse effects can lead to temptation like some companies not to communicate the information about certain operations or events with direct effect on the overvaluation of the company. Therefore, even though voluntary disclosure seems to work in most cases, these exceptional cases require a regulation to disseminate information, at least in the area of research and development.

III. Economic-Financial Communication, An Essential Instrument For Disclosure Of Information About Intangible Assets

In the current economic context, the process of economic-financial communication of an entity should be given a strategic relevance in forming and maintaining its notoriety in the reference market, because this aspect depends first and foremost on the attractiveness of external resources, necessary for holding and increasing the competitive advantage (Corvi, 1996: 81; Socoliuc, 2015: 10).

In the literature, there are several definitions of communication. A more complex approach that attracted our attention was the definition provided by Corvi (2007), which defines the economic-financial communication as "the set of communications made through any broadcasting channel, used by the management of the entity to different stakeholders, according to their interests, but converging with the evolution of the financial, economic and patrimonial situation of the entity" (Corvi, 2007: 149).

An aspect worth noting is that often in the studies carried out on this topic one can observe an exchange of terms between communication and information, economic communication and the financial one, but also between the terms reporting and disclosure, this fact often leading to the overlapping of aspects that need to be highlighted distinctly, as they sometimes create confusion among the public.

Financial communication through its nature can have a direct influence on the price of the shares, being mainly reflected through the economic-financial documents that can be found in the different types of financial reporting (Marosco, 1998).

We consider that, through the economic-financial communication, the management informs the stakeholders (investors, shareholders, credit institutions, clients, etc.) about the decisions that have been taken, about the entity's strategies and future development prospects, so that they can be able to realize its future economic-financial interests in relation to the respective entity.

The financial information derives from the economic communication, representing a fragment of the mandatory communication, namely that fragment that is made by the economic entities, on a legal basis. In practice, the whole accounting approach is an informational act in its essence; In this context it can be said that there is a close link between information, computerization, communication and users of information in the financial-accounting field.

In the aforementioned context, the reporting process becomes an act of communication, respectively of disclosure of the character and size of the patrimonial elements, or an act of efficiency, through computer programs. Zambon and Dumay (2016: 178) consider disclosure as an act of primary communication of previously unknown information, and reporting is recognized as a periodic effort to present a detailed presentation of a present and prospective situation, by horizontally transposing the indicators at the respective moment. According to specialists, Nielsen, Lund, & Thomsen, (2017) disclosure represents the strategic side of accounting information, while reporting represents its operational side.

Due to its role, the communication represents a bridge between the information generators, respectively the upstream third parties that interact with the financial entity and the final users (stakeholders) who are the beneficiaries of this information. Therefore, communication is a factor that, on the one hand, creates value because it increases the intangible capital of the organization (skills, knowledge, relational capital, brand, reputation, etc.) and, on the other hand, it disseminates information to the general public, customers, and to the market in general, about the real, intrinsic value of the organization.

In 1998, Rahman (1998) synthesizes different notions and definitions attributed to the term of disclosure, based on which he resizes the valences of this concept, by referring to a number of factors such as: purpose of disclosure, types of users, media, opportunities, volume the information disclosed, the legal rules in force, the types and nature of the information, costs and benefits. The presentation of information in a systematic manner

Volume **XI**/2019 ISSN 2344-102X
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and in accordance with the requirements of international accounting standards, represents in Kohler's opinion (1957) a sine qua non condition of verification and compliance of certain facts, which are also confirmed by the elaboration of the audit reports, issued by qualified professionals, with experience in the field and independent of the management interests of the entity that is the object of the communication. In 1992, Parker synthesized the informal aspect of reporting at the level of the financial and non-financial dimension perceived by the users of financial information, especially in the investment area, in order to assess the investment effort in relation to the quality of the information presented through the annual financial statements.

Hendriksen and Breda (1992) opted for a distinct presentation in the dissemination of accounting information, as opposed to the disclosure process. In the first case, the dissemination is carried out with the purpose of facilitating the selection of strategic decisions, determined by the nature of the information (mainly oriented towards investors), while the disclosure was considered as a presentation of the information necessary to perform optimal transactions on the capital markets, in a standardized framework. In this situation, the authors stressed that the failure of the capital market represents a strong motivation for regulatory authorities and governments to request such information in order to ensure optimal information disclosure.

In the economic literature and practice, there are many variables that influence the process of disclosure of information, these variables changing in dynamics, following the change of the normative framework, the general conditions of operating on the market and the amplitude of international transactions, now becoming more and more complex, and able to influence the degree of presentation of information in annual management reports, annual financial reports, audit reports and other types of communication/information formalities, necessary to meet various purposes in communication. There were also a number of experts in the field (Cerf, 1961; Buzby, 1975; Stanga, 1976) who developed, starting with the second half of the last century, extensive studies regarding the communication of accounting information and found that as the national dimension of the transactions is expanding (in the sense that it was expanding at regional or international level), the degree of information became more complex and more rigorously structured. If most of the studies listed above claim that factors such as listing on a financial market, the value of assets, liquidity and the field of operating activity are the main variables that influence and condition the level and the modalities of presenting information, the results of other studies (Spero, 1979) is in contradiction with these statements and argue that the need for capital would influence the degree of provision of voluntary information in the entity's annual financial statements.

According to the literature, the factors that affect the disclosure in the balance sheet of the intangible assets can be classified into six categories: intangible capital, shareholding structure, corporate governance, characteristics/nature of the company, industry characteristics and the reactions of analysts and customers.

Starting with the 1990s, the process of globalization is beginning to manifest its effects both at European and global level, as a result of the collapse of the communist system in Eastern Europe, China, and other countries of the world, with the occasion of starting an extensive process of convergence and harmonization in accounting communication. Under these conditions, the information begins to acquire new strengths, with emphasis on its structuring and specialization, by taking into account both the synthetic and analytical indicators regarding: liquidity, financial equilibrium rates, solvency, profitability rates etc. (Cooke, 1989).

While financial reporting is criticized for providing insufficient information about intangible assets, voluntary disclosure allows entities to report additional information on intangible assets, generating added value and competitive advantage to the entities that use it.

In their concern to analyze the topic of information transparency, Bushman and Smith (2003: 65) identified three ways that can directly influence the value of investments, profitability and value-added of an entity, through the financial accounting information reported.

With the expansion and intensification of the operations of free movement of capital, especially of listed companies, since 2000, in the area of international transactions, more and more investors are becoming interested in the free access to credible and relevant information, in order to increase the opportunities for investments, a context in which accounting information is dematerialized from the national culture and positioned in the international space (Haniffa & Cooke, 2002). In 2001, Healy and Palepu (2001: 407) stated that "reporting and presenting financial information will continue to become a rich source of data for empirical studies."

A case in point is the case of the Republic of China, which registered an unprecedented economic expansion after the fall of the communist bloc, and Chinese companies have become among the most attractive partners on the capital investment market. Under these conditions, the persistence of the traditional character of the information reported by them determined/influenced the needs of the investors to move towards the sensitivity analysis of the trading capacity of the Chinese partners. Thus, some authors (Lan, Wang & Zhang, 2013) have launched a series of debates about the impossibility of identifying positive type associations, between the leverage effect and the way of presenting the accounting information, concluding through their studies that in the absence of information credible, the financial capacity of the bidder and the beneficiary can replace the deficient aspects regarding the accounting information specified above.

At the national level, there are researchers (Popa, 2012) who have presented the financial information from the point of view of the business performance, in order to highlight the degree of the investors' confidence

Volume **XI**/2019 ISSN 2344-102X
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regarding the financial reports of the listed entities. In another way, the corporate governance phenomenon was analyzed (Matiș, Mănoiu & Bonaci, 2012), also in the context of financial reporting, the conclusion of the study being that: synthetic indicators such as the size of the entity, the economic performance reflected by profit do not influence the presentation of information from the point of view of corporate governance.

As a rule, the financial-accounting information is appreciated as quality information in relation to the level of satisfaction of the interests of the stakeholders. In these conditions, the process of economic-financial communication plays an essential role, because through it the modalities, the size and the opportunity of the information transmitted by the management of the company to different categories of users are selected. The most commonly used means of communication is financial reporting, through which users have access to credible and objective information regarding the financial position, the income and expenditure situation, the financial result, the change in equity, the cash inflows and outflows, as well as other information considered useful and consistent with the interest expressed.

Thus, we can say that the process of financial-accounting communication participates actively and pro-positively in the consolidation of the relationships that the commercial company, as issuer and has built over time with stakeholders, as a receiver (Măciucă, Hlaciuc & Ursache, 2015).

In economic practice, communication takes two forms, namely: mandatory communication, which complies with the requirements stipulated in current legal norms and voluntary communication, which requires additional, unregulated information, but which can decisively contribute to the influence of decisions in relation to the entity reporting.

Regarding the mandatory communication, it should be mentioned that the information subject to it is subdued to the different types of control and/or audit, and the lack of information, or the manipulated information, in the sense of distortion of information is subject to the different types of sanctions from warnings, penalties and civil or criminal fines, up to the deprivation of liberty, thus obliging to guarantee the fidelity, credibility and intelligibility of the information reported. Mandatory financial reporting plays an important role in diminishing information asymmetry (see Figure 1), because when it is performed with a sense of responsibility and involvement by the responsible people, it can help avoid providing privileged information for some users to the detriment of others.

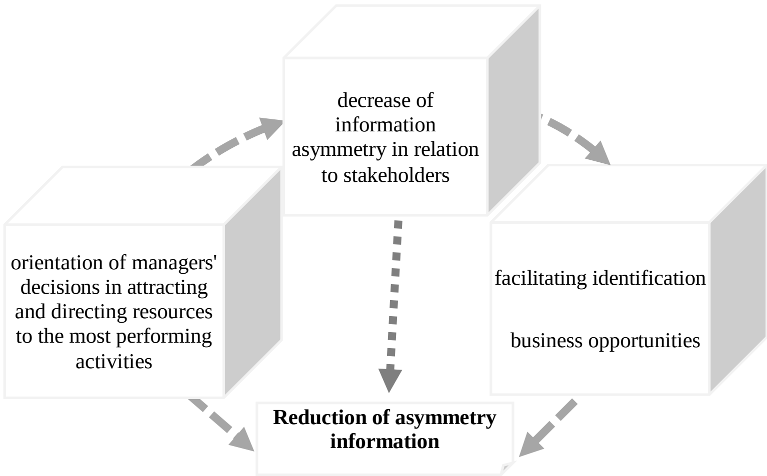

Figure 1 - Means of influence and reduction of information asymmetry
Source: Adaptation by Bushman & Smith, 2003: 65

In these conditions, the mandatory communication has a series of valences attributed by the normative, obligatory, consolidated character and by the theories and principles that guide it, present in the conceptual frame of reference, or in those of professional ethics and deontology. In addition, in the case of listed entities or of those for which the obligation to audit the financial statements required by law, the informational quality is practically assured and guaranteed by the auditor's independence.

With regard to voluntary communication, this depends exclusively on the decision of the management of the reporting entity, which may consider this additional information of the stakeholders welcome, or inappropriate. Voluntary communication can have different effects on the performance of the company and the relationship with the competition, therefore neither the volume, nor the quality of the information provided should be ignored. If initially, an additional information contribution can contribute to a significant increase in the profitability of the reporting company, due to the increase of the information transparency with respect to investors and other business partners, eventually the effects may be contrary, the competition taking advantage of knowing some information that should have kept its confidential status and which may serve as a weapon in the disposal of these disclosing entities on the market.

Currently, between the obligatory and the voluntary communication, the existing differences are practically visionary, because the need to respond to the new informational interests motivated by the awareness of the responsibility of the companies to the stakeholders, both in theory and in practice, has determined the emergence of new models of reporting that suggest starting the process of reevaluating the procedural basis of accounting, in order to emphasize its importance for the environment and society (Lungu, Caraiani & Dascalu, 2012: 137).

The complete image and information about the activity of a company is not only provided with the help of the traditional financial accounting system (which also includes mandatory communication), which is why new communication mechanisms have been created to complete the lack of information on social and environmental aspects (achievable through voluntary communication).

IV. CONCLUSION

The communication had and continues to have a rapporteur role, but also a confirmatory role, in relation to the rules specific to this process, a situation in which we can speak of the so-called coding of the communication. In the economic-financial field, communication also has the role of generating the feed-back, through the analysis of the receiver's response, thus being able to obtain information related to the correctness of the applied accounting policies and the accuracy of the information communicated. Communication is usually carried out through several communication channels; the usual communication channels are the scripted ones, but starting with the years 2008-2009, with the manifestation of the global economic crisis, the channels migrated to the electronic area, confirming once again, "*the fundamental role of the external communication of the companies and especially of the importance of information for an efficient functioning of markets* ".

Concurrent with the internationalization of entities, the importance of communication has increased even more, and the extension of the economic and cultural globalization process has led, in time, to the homogenization and uniformization of a common language for all categories of stakeholders, facilitated and promoted primarily by international financial reporting standards-IFRS.

In conclusion, we can consider that the financial-accounting information is a resource of hard to estimate value in determining the decisions of all categories of stakeholders, regardless of its nature, but which must necessarily incorporate all the quality characteristics, from the fundamental ones to the amplifying ones.

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Acknowledgment
"This work is supported by project POCU 125040, entitled "Development of the tertiary university education to support the economic growth —PROGRESSIO", co-financed by the European Social Fund under the Human Capital Operational Program 2014–2020."