



ACCOUNTING INFORMATION AND DECISION MAKING

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- A** The article generalizes groups of users of accounting information and decisions, which are made by them. The circulation of accounting information in decision-making has been presented in a schematic way. Levels and arguments of relevance of accounting information have been disclosed. Approaches to preparation of relevant accounting information for adequate decision-making by external and internal users have been developed.
- K** economic unit, accounting process, utility function, relevance of information, the adequacy of information, realization of decision-making.

БУХГАЛТЕРСЬКА ІНФОРМАЦІЯ ТА УХВАЛЕННЯ РІШЕНЬ

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- A** У статті узагальнюються групи користувачів бухгалтерської інформації та рішення, що ними ухвалюються. Схематично представлені обіг облікової інформації під час ухвалення рішень. Розкриваються рівні та аргументи релевантності облікової інформації. Поглиблюються критерії до підготовки релевантної облікової інформації, потрібної для адекватних рішень зовнішніх та внутрішніх користувачів.
- K** економічна одиниця, обліковий процес, функція корисності, релевантність інформації, адекватність інформації, усвідомлене ухвалення рішень.

БУХГАЛТЕРСКАЯ ИНФОРМАЦИЯ И ПРИНЯТИЕ РЕШЕНИЙ

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- A** В статье обобщены группы пользователей бухгалтерской информации и решения, которые ими принимаются. Схематически представлено обращение учетной информации в процессе принятия решений. Раскрыты уровни и аргументы учетной информации. Развернуты подходы к подготовке релевантной учетной информации для принятия адекватных решений внешними и внутренними пользователями.
- K** экономическая единица, учетный процесс, функция полезности, релевантность информации, адекватность информации, сознательное принятие решений.

Statement of the problem

Accounting is a link between business activity and people, which make decisions. It is a language of communication of different groups of users, which has been formalized in figures. Decision-making plays an important role in accounting. This is emphasized during determination of the term of accounting in different regulations. Accountants are responsible persons, which must process, generalize and transmit data the way, which allows making justified managerial decisions based on them. Thus, modern accountant must satisfy the needs of those, who uses accounting information regardless of the fact if they are internal or external users of this information. In order to cover economic essence of difficult business operations

modern accountant must have own professional judgment, be able to analyze operations and economic events, interpret and analyze accounting information and financial reporting.

Analysis of the recent researches and publications

The need for formation of qualitative informational base by the accounting system, that helps to make management decisions, has been justified in fundamental works of leading foreign scholars B. Nydlz, H. Anderson, D. Kolduell [1], H. A. Velsh, D. G. Short [2], E. S. Hendriksen, M. F. Van Breda [3], D. Myddlton [4], S. J. Grey [5] and others. In latest publications of domestic scholars on the problem

of the usage of accounting information for decision making by external and internal users the scientific research is done in different directions. In particular, one substantiates appropriateness of division of decisions on those that are objectivity needed and subjectivity caused; one gives reasons for the approach to understanding of accounting information as the basis for making economic and social decisions in the context of sustainable development [8]; one substantiates methodological approach to evaluation of quality of accounting information for decision making with consideration of differential indicators of quality [9]; one underlines unquestionable supremacy of accounting as innovative system during making managerial decisions [10]; one substantiates the influence of psychological aspects on interpretation of accounting information for decision-making [11]; one specifies requirements and parameters of conception of formation of accounting information for the needs of strategic management [12]. At the same time, critical overview of the results

of investigation of domestic economists showed the unresolved scientific problem. It touches upon the disclosure of approaches, which determine how users of accounting information make decisions and what information is the most important for them.

The aim of this article includes theoretical substantiation of levels of relevance of accounting information and development recommendations concerning approaches to preparation of adequate accounting information for making decisions by external and internal users, considering requirements of adaptation to reality of external social and economic environment.

Main Material Presentation

Accounting information is the basis for making important managerial decisions both inside and outside the enterprise. According to B. Nydlz [1, p. 14], it provides quantity information about economic unit for realization of three functions: planning, control and

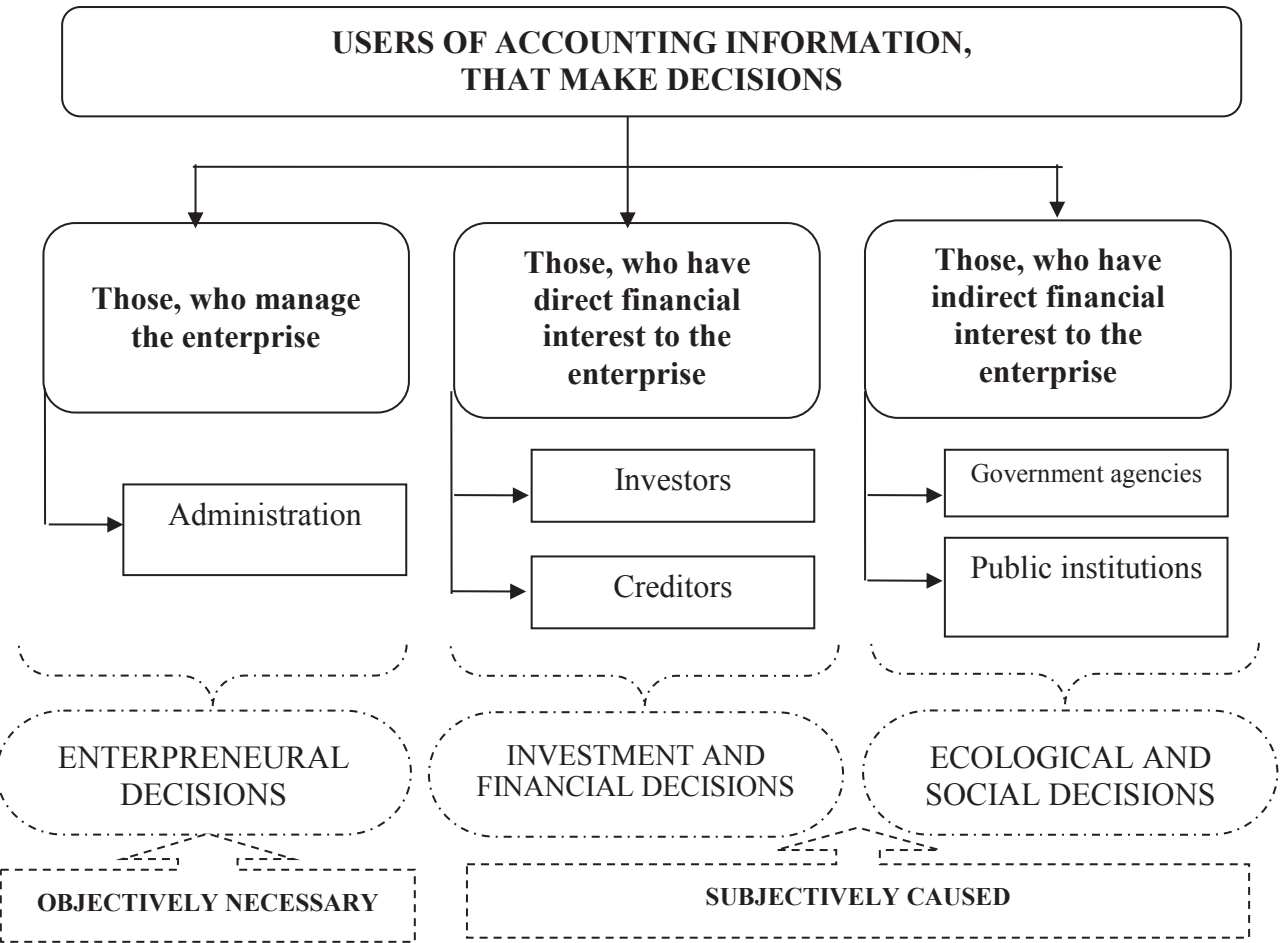


Figure 1. Users of accounting information and decisions, which are made by them, in the environment of sustainable development. Developed by the author

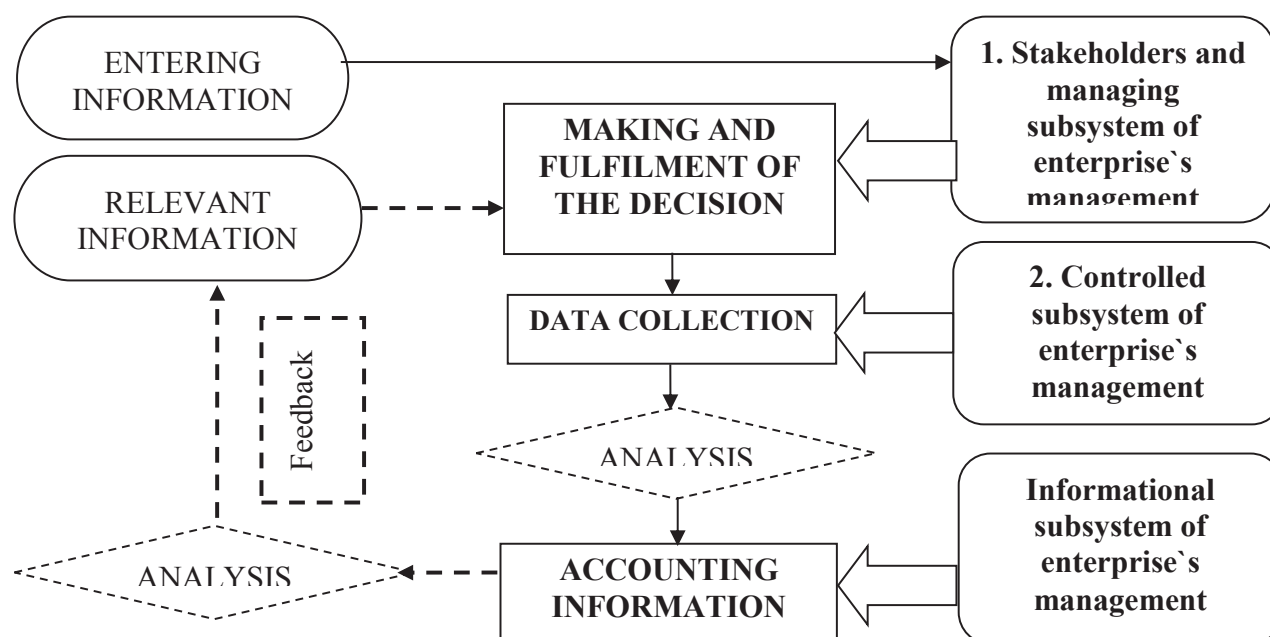


Figure 2. Circulation of accounting information in the process of making decisions.
Generalized by the author on the basis of [2, p. 24–25]

evaluation. In particular, the information on predictable profit and the need for money is needed for planning; the information, that contains comparison of actual costs and earnings with the planned ones is important for control; the information that allows to understand the level of achievement of the goal (the feedback) is important for evaluation. If one figures out that the goal has not been achieved, the shortcomings of planning or control should be determined.

Users of accounting information, that make decisions, can be divided into three groups [1, p. 14–15]: 1) those, who manage the enterprise; 2) those, who are outside the enterprise and have straight financial interests; 3) those, who show indirect financial interest to the enterprise. Considering the needs for adaptation to reality of external social-economic environment, these groups of users of accounting information make decisions of different targeted usage (*Fig. 1*)

Interconnection of information and its users made accountants to pay attention at the fact that utility function is the measure of the value of information. In the system of making decisions, one provides command work that requires the existence of the point of contiguity of values and interests of its participants, accounting process has to provide sustainable flow of useful information for all interested users (*Fig. 2*). H. Velsh, D. Short mentioned «accounting information and means of its transmission often have a rather strong psychological influence at stakeholders» [2, p. 34]. That is why effective transmission of information means, that those, who gets information, understands the content of the message.

It is important to underline, that in American practice in order to determine double economic influence of business transaction on the enterprise one conducts analysis of every transaction. Analyses of transactions begins after the appearance of the document, which indicates the completeness of transaction and certifies it. After this, according to the character of transaction and usage of fundamental accounting model, consequences of transaction must be registered in the accounting system. Thus, only justified documents and analyzed primary data, which have impact on the enterprise, may become accounting information.

One must mention that fundamental qualitative characteristics of accounting information differ in orientation. They can be conditionally divided into next two groups: 1) user-oriented – faithful representation; 2) decision-oriented – relevance and materiality that together are characterized as relevance. In terms of system approach, integration of true submission and relevant accounting information causes the effect of emergence as because of their combination raises the utility of accounting information.

Relevance of accounting information, as characteristics, that is oriented at making decisions, may be observed from the side of semiotics at three levels of processing of information: syntactic, semantic and pragmatic depending on that, what is important for the user of information: goals, understanding or decision (*table 1*).

The concept of relevance stipulates, that information may help in forecasting of other

information, that is used in processes of production and making decisions, or may directly assist to the decision-making. It should be added, that the famous economist J. Keynes considered, that the definition of the essence of relevance in terms of tasks on calculation of economic risk was very important and proposed to evaluate relevance according to the principle of that fact, which changes brings information into analysis of the likelihood of future events.

According to Hendriksen [3, p. 91], relevance is a function of predictability, property of feedback and timeliness. Summary of the aforementioned arguments of relevant accounting information was presented in the *table 2*.

As at the stage of transmission of information about the activity of the enterprise to external and internal users one can see the problem of compliance of informational fact with informational expectations, the concept of relevance allows to distinguish terms «accounting information» and «accounting data».

In particular, if accounting data does not have meaning for the person, which it is reported to, then it is not information. It is only accounting data for the purpose of monitoring of business situation. Thus, accounting information may be defined as data that has the effect of novelty for its recipients, reduces uncertainty of its ideas and causes appropriate reaction in economic behavior.

It must be mentioned, that gaining of qualitative accounting information is quintessence of organization and conduction of accounting at the enterprise. That is why one of the most important characteristics of the quality of information, formed by accounting, is its adequacy. We believe, that the term «adequacy» is one of the most close ones to the concept of relevance of accounting information. It includes not only the assessment of the level of accordance of informational fact with informational expectancy in a concrete moment of time, but also the assessment of the level of practical usage of information, and also the level of its social utility.

LEVELS OF RELEVANCE
OF ACCOUNTING INFORMATION

TABLE 1

Syntactic level	Target relevance	relevance has place, if information helps to achieve goals of the user. It is difficult to determine it, as goals are subjective
Semantic level	Semantic relevance	relevance has place, if the recipient of the information understands the meaning of this information
Pragmatic level	Relevance of the decision	relevance has place, if information helps its user to make a decision. This is the final goal

Source: Generalized on the basis of [3, p. 91]

ARGUMENTS OF RELEVANCY OF ACCOUNTING INFORMATION

TABLE 2

Predictability	– characteristic of information, which helps its users to increase the possibility of the reality of forecasts. Usage of accounting information for making decisions is done by means of four methods: 1) direct forecasting, that provides with managerial forecasts; 2) indirect forecasting, that provides with past data; 3) usage of key indicators, that provides data, which changes go before changes of events, that are being forecasted; 4) usage of confirmative data, that provides forecasting of other data
Feedback	– characteristic of information, which helps its users to confirm or to correct previous supposition. Usage of accounting information for making decisions includes the fact, that information about the result of one decision is usually used for making next decision
Timeliness	– characteristic of information, which helps its users to make decision before it will lose the ability to influence the decision

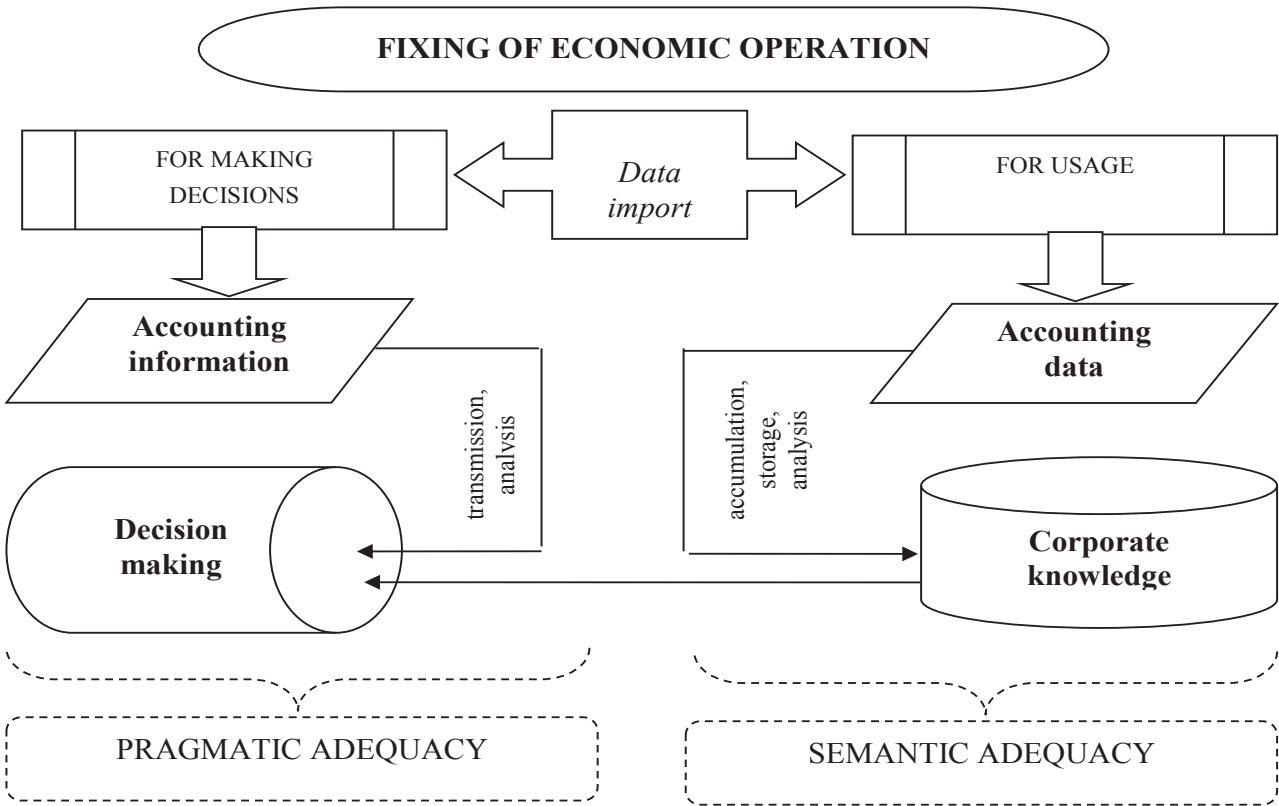


Figure 3. Formation of adequate accounting information depending on the goal of its usage. Developed by the author

Adequacy of accounting information may manifest in two main forms: semantic and pragmatic. As M. I. Bondar mentions, «semantic measure of information is used for the measurement of contents of information essentially; pragmatic measure of information defines its usefulness, value for the process control» [13]. Generalization of the process of formation of adequate accounting information depending on the goal of its usage is presented in the Fig. 3.

The strategic goal of evaluation of the quality of accounting information is provision of users with accounting information that meets the requirements of chosen system of criteria. That is why the understanding of adequacy of accounting information needs evaluation in accordance with informational expectations of users by means of next criteria (table 3).

CRITERIA FOR THE ADEQUACY OF ACCOUNTING INFORMATION
(DEVELOPED BY THE AUTHOR)

TABLE 3

CRITERIA	CONTENT OF THE CRITERIA
Criterion of necessity	Accounting information must characterize separate components of strategic position of economic unit, that reports, or serve as a basis for definition of strategic indicators
Criterion of utility	Accounting information must serve as regular information basis for decisions, that have strategic character
Criterion of adequacy	Accounting information can be used for analysis without essential additional transformation
Criterion of reliability	Accounting information must have representative authenticity, be verifiable and neutral

It must be mentioned, that in order to determine what accounting information is relevant for the user, it is important to investigate, how users of accounting information make decisions. The paper by E. S. Hendriksen [3, p. 130] states, that the investigation of the process of making decisions by the users of accounting information is done in two directions. In frames of the first direction, one investigates the way people should make decisions, that is regulatory approach takes place.

In frames of the other direction one investigates how is it done in practice, that is a positive approach is used.

Regulatory approach starts as usual from the construction of economic model and attempts to determine, what information is needed for its work. The positive approach investigates the way people use existent financial information. Importance of positive approach lies in the fact that it allows to understand the essence of information, which is the most useful.

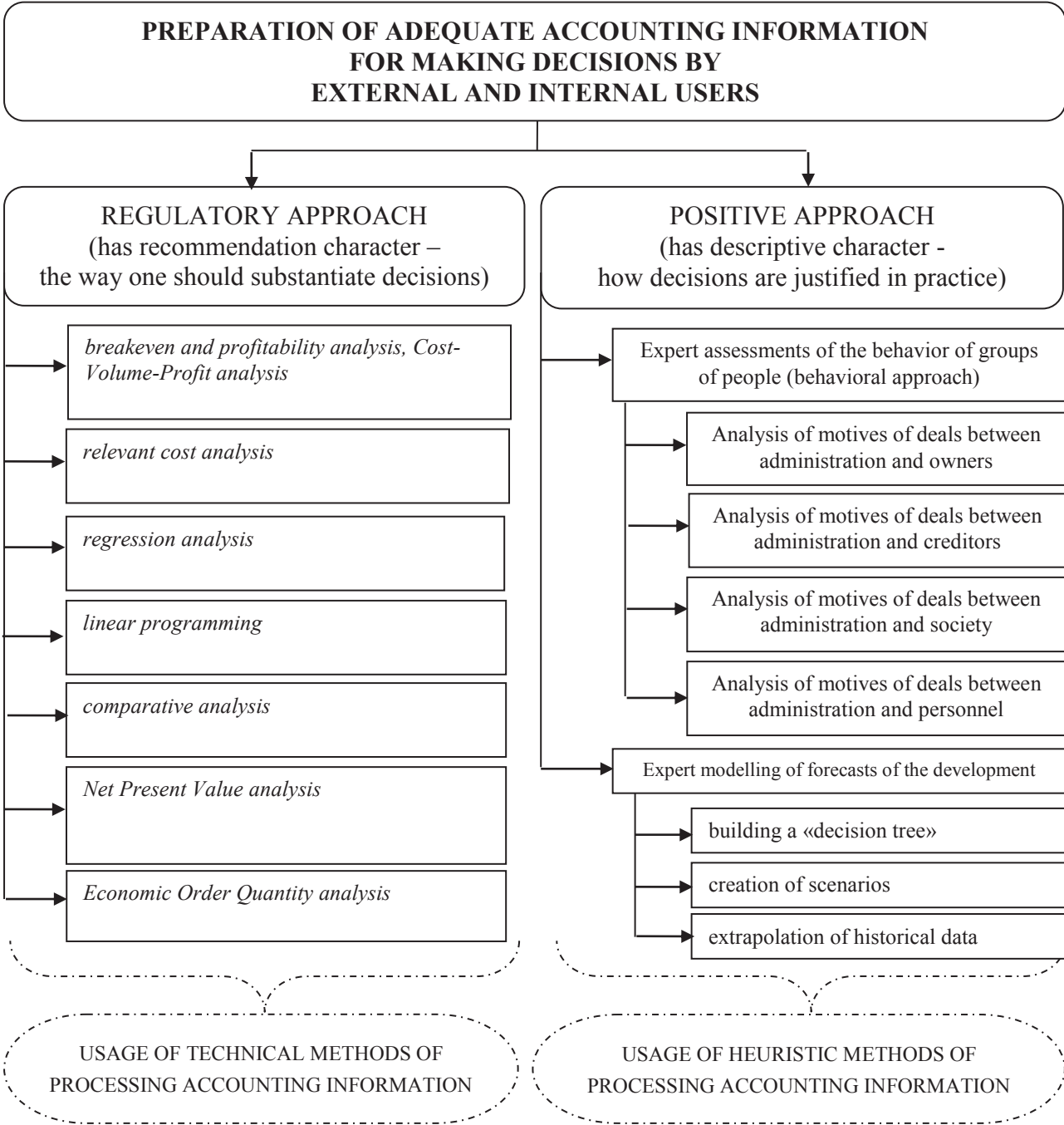


Fig. 4. Approaches to preparation of adequate accounting information for decision-making. Developed by the author with the usage of [4, p. 146–175; 6, p. 339–524; 7, p. 237–516]

Regulatory approach is also important, as many statements on financial accounting based on deductive logic and is a consequence of regulatory decision models. Overview of foreign professional literature in the field of accounting [1–7] allowed to generalize and disclose approaches, that must be used by accountants during preparation of adequate accounting information for making decisions by external and internal users (fig. 4).

Conclusions and prospects of further research

In informational economics the thesis about relevancy and adequacy of accounting information for

its users gain actual meaning. Analytical calculations provide informed decisions, that is why the problem of practical utility of gained results from analysis of accounting information takes an important place in the process of provision of making justifiable decisions. Analyzed accounting information raises the possibility of reality of forecasts; make possible the shortage of impact of the factor of uncertainty during making decisions by external and internal users, giving accountants (not ledger clerk!) important role in distributing risk between administration and groups of control, that have direct and indirect financial interest to the enterprise.

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