

PARTICULARITIES CONCERNING THE WAYS IN WHICH FINANCIAL CONTROL INFLUENCES ECONOMIC EFFICIENCY GROWTH

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Abstract

Through their leadership, control shall ensure that effective, dynamic and operative findings that raise the value and quality of decisions. Control gets into the essence of phenomena, referred the matter to the negative aspects when they manifest themselves as trend and intervenes to prevent operative and liquidation proceedings. Evaluate the results of the control in relation to the standards and objectives, but also contribute to the prevention of tendencies and phenomena that require corrective decisions. Control manifests itself as a form of improvement of the management of the heritage, organization and management of the activity of economic units. The purpose of the article is to highlight the means of quantification on the efficiency of the process.

Control work can be defined as a function of leadership, managerial tool, a means of knowledge of the reality and error correction. Control is a process by which to measure and verify attainment of qualitative and quantitative performance, things, activities they compared with planned objectives and indicate the corrective measures that are necessary.

Key words: financial control, economic agents, financial statements, indicators, efficiency

JEL Classification: M41

1. Introduction

Control is an important component of management who approves: checking how to run the administrative decisions of the rulers (managers); correct decisions for them to be in line with the constantly changing social realities; initiation of decisions with the aim of solving new problems that arise as a result of changes in social control should be regarded as an activity to prevent irregularities, the elimination of the causes that generate them and favors activity improvement controlled body.

Effectiveness of financial control is determined by the contribution in the prevention and elimination of dysfunctions, and leadership in improving the decision-making process and the efficiency of economic activities as a whole. Effectiveness of financial control must be assessed not by the volume of damage found and penalties applied, but possibly through the volume of claims received, debits and credits of the available stocks settled, exploited as a result of the measures ordered after completing checks.

To the extent that it will focus on preventing irregularities, on the recommendation of the provisions governing the area of control, control efficiency will be higher. Effectiveness of financial control is determined by the permanent link between the two strands, namely between the preventive-operative and the recovery of its findings.

2. Annual financial statements-information sources of financial control

Annual accounts of economic agents are part of the financial reporting process. Many users rely on financial statements as per their main source of information and therefore such statements shall be developed and shall be presented in the light of their needs.

Are the main technical characteristics of financial statements (figure no. 1): speech intelligibility; relevance-materiality; credibility: faithful representation, neutrality, prudence, integrity; comparability.

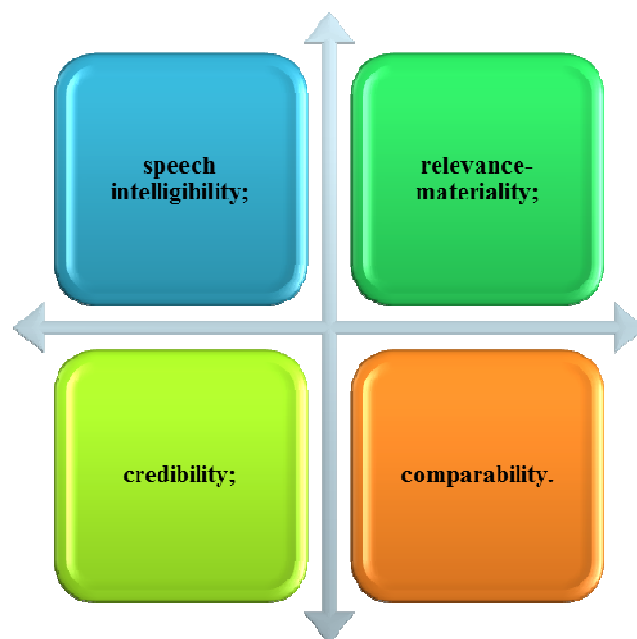


Figure no. 1 „Qualitative characteristics of financial statements”

Are the users of the financial statements (figure no. 2):

- **Investors**
 - Bidders and their consultants are concerned about the risk inherent in transactions and benefit from their investment brought; they need information to decide whether you should buy, keep or sell.
 - Shareholders: they are interested in the information enabling them to assess the ability of the operator to pay dividends.
 - Although all user information needs can be satisfied by the financial statements, there are requirements common to all users. Whereas investors are providers of risk capital of the economic agent, the provision of financial information and their needs and satisfy most needs of other users.
- **Employees**

Staff and their representative groups are concerned:

 - on the stability and profitability of the trader
 - which allow them to evaluate the ability of the operator to provide remuneration, pensions and other benefits, and professional opportunities
- **financial creditors:** they are interested in the information that allow them to determine whether the loans and interest will repay at maturity.
- **commercial suppliers and other creditors:** they are interested in the information that allow them to determine whether the amounts they are owed will be paid at maturity.
- **Customers:** are interested in information about the continuation of the activity of an entity, especially when you have a long-term cooperation with the operator in question or are addicted to it.
- **the Government and its institutions:**
 - are interested in the allocation of resources and, consequently, the activity of economic units;
 - requesting information and to regulate the activity of economic units, in order to determine fiscal policy, to calculate national income statistics and other indicators.
- **Public**

Economic agents influence the audience in a variety of ways. For example, businesses can have a substantial contribution to the local economy in many ways, given the number of employees and collaborating with local suppliers; financial statements can help the public by offering information about recent developments and trends related to the prosperity of the economic entity and its sphere of activities.

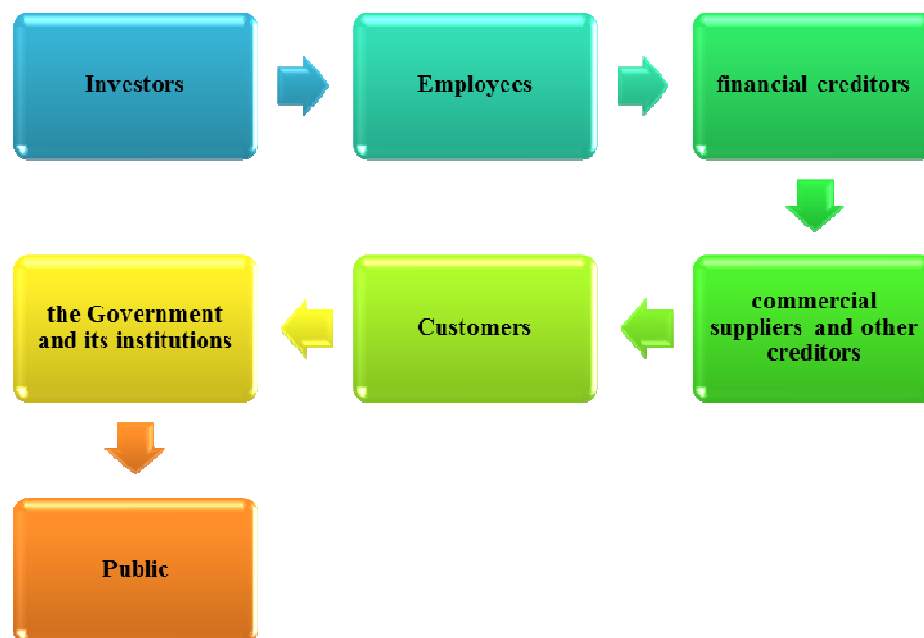


Figure no. 2 „Users of the financial statements”

The objective of financial statements should provide information about the financial position, performance and changes in financial position of an entity that is useful to a wide sphere of users in economic decision-making.

Financial statements meet the common needs of most users. However, it does not provide all the information users need for economic decision-making, since to a large extent, reveals the financial effects of the events of the past and does not provide, as a rule, non-financial information. They present the results of the management of an entity by managers, including the management of the resources entrusted to it.

3. Efficiency of financial control

The determining factor of the effectiveness of financial control is to ensure a perfect order and discipline in training, but especially in money funds and materials. Financial control is unable to indicate any deficiencies and deviations from the methodology and specific training techniques and use of financial resources from these funds. For decision makers constitute appropriate intervention signal through decisions to remedy the deficiencies noted.

Effectiveness of financial control depends on both the merits and the reality of the existence of deviations, deficiencies and damage, as well as firmness and legality to assert its findings. Effectiveness of financial control is determined by its contribution to the prevention and remedying of environmental damage and recovery of deviations, the continuous improvement of the general management in the financial system.

In a more restricted notion, the effectiveness of financial control represents the determined effort of reporting such activity to the positive effects. Both efforts, especially effects may be necomensurable, or projected comensurate. Efforts can be measured by expenditure occasioned by exercise control, time some concrete actions, and the immeasurable refers to guidance and improve the training of persons of the audited units.

Measurable effects is materialized through recovery, determination of liability, but also forecast what effects can be found in a general improvement of the activity, the possible avoidance of past failures.

Finding operative preventive, a thorough knowledge of the reality of economic and financial establishments checked, is a first condition of effectiveness of financial control, but it does not have the desired effect if not contributing to solving and valorization of the findings, if not offering suggestions, proposals for action and solutions that offer the possibility of carrying out an activity in the future. Therefore, the effectiveness of financial control, ultimately, drive the two sides of his organic: preventive-operative finding and capitalizing on its immediate.

Quantitative determination of efficiency is through the following indicators for the evaluation and assessment of the activity of financial control (Popeangă P and G Popeangă, 2004):

■ Total economic agents schedule for control:

$$N_t = \sum_{i=1}^n N_{at(i)} \quad (1)$$

Where:

N_t : the total number of economic agents schedule for control purposes;

N_{at} : the total number of economic agents from a sector of activity

■ The degree of coverage in control of economic agents:

$$g_e = \frac{N_t}{N_{at}} \times 100 \quad (2)$$

Where:

N_t : the total number of economic agents schedule for control purposes;

N_{at} : the total number of economic agents from a sector of activity

■ The degree of achievement of financial control programmed:

$$g_p = \frac{N_{ef}}{N_t} \times 100 \quad (3)$$

Where:

N_{ec} : the number of economic agents wich was control;

N_t : the total number of economic agents schedule for control purposes;

■ The total of all amounts payable by a controlled economic unit:

$$S_t = \sum_{i=1}^m S_t(i) + \sum_{j=1}^n S_t(j) + \sum_{k=1}^p S_t(k) \quad (4)$$

Where:

m: the total number of observed damage;

n: total number of fines;

p: the total number of other amounts receivable.

■ The extent of the amounts receivable collection as a result of control:

$$g_i = \frac{S_b}{S_t} \times 1000 \quad (5)$$

Where S_b represents the sum of the amounts levied.

The need to increase the effectiveness of financial control is determined by the growing requirements to ensure that this activity generated by the expression into a sphere increasingly more comprehensive financial activity.

Financial practice seeks us to tend to an increased efficiency, the most significant of which would be (Mihăescu S., 2007):

- modernization of permanent financial control through the use of methods, techniques and procedures appropriate to the purpose and the objectives pursued;
- raising the level of professional training of control involving the permanent adaptation to very high mobility of the legislative process and alignment to EU standards;
- rational organisation of labour inspection are another way of lifting quality and effectiveness of financial control;
- ensuring the independence of financial control in reporting and sanctioning deviation from the rules;
- increase of control bodies also described the increasing potential for control, including personal liability.

4. Conclusions:

Control, as part of the company's management side, as a form of socio-economic activity, involves the training of all stakeholders in the implementation of the programmes: firmly established by the rule of law and democratic; legislation, to Government and other norms developed by Central and local bodies of the decision, in order to achieve and consolidate the market economy. In this context, the control has the main direction of activity: strengthening the discipline and order, the spirit of personal and collective responsibility for the enforcement of legislation; better organisation of work; more efficient management of material, financial and assets; protection of public or private property; the protection of fair competition; the creation of the conditions necessary for raising the quality of life; the

formation, administration and use of financial resources of the State, administrative-territorial units and public institutions; stronger affirmation of the general interests of society.

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