INTERMEDIATE MANAGEMENT BALANCES ANALYSIS IN THE CONTEXT OF THE APPLICATION OF IFRS

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ABSTRACT: *Intermediate management balances provide information regarding the profitability of an entity activity on different levels. Highlighting the training mode of the result, intermediate management balances represent an important step in the measurement of the performance of an entity. The purpose of this article is to analyze the training mode of the entity result in the context of the adoption of international financial reporting standards and the possibility of using information provided by accounting reports prepared in accordance with IFRS in order to calculate intermediate balances management and use, by default, in the performance measurement. The research is based on the comparative analysis of the intermediate management balances calculated on the basis of financial reports in accordance with national accounting standards and financial reports in accordance with international financial reporting standards. The results of this research show that adoption of IFRS is a new system for analyzing the intermediate management balances and performance assessment, system centered on contribution to the national wealth through value added. This process of normalization of international accounting standards creates a high degree of comparability of financial performance, which leads to an increase in the transparency of the operational and financial activities of entities.*

Keywords: *intermediate management balances, value added, International Financial Reporting Standards, performance, accounting harmonization*

Classification JEL: L25, M41

1. INTRODUCTION

The survival of an entity in a business environment in a constantly changing assumes achieving the financial results confirm the optimum use of the factors of production, a reduction in losses and obtaining a monetary surplus. Synthetic, financial results take the form of financial performance. The concept of performance has a particular relevance to stakeholders, rapidly resulting in the ability to gain access to resources, to allocate and optimum use, in order to ensure sufficient remuneration to cover risks and maximize the proposed results (Gruian, 2010). Assessment of performance is made possible through the intermediate management balances (IMB), balances which gives us information about the entity's ability to achieve profit, and profitability of the business entity in different details. Putting the training mode of the outcome, intermediate management balances is an important step in measuring the performance of an entity. The basis of the intermediate management balances represent the accounting information provided by the reporting. It can be said that the accounting methods and treatments used in the preparation of the accounting reporting have a significant impact on performance evaluation through intermediate management balances.

The purpose of this article is to analyze how the outcome of an entity in the context of the adoption of international financial reporting standards and the possibility of using information provided by accounting reports prepared in accordance with IFRS in calculating balances intermediate discharge and hence, their use in measuring performance. The research is based on the comparative analysis of the intermediate management balances are calculated on the basis of financial reporting prepared in accordance with national accounting standards and financial reporting prepared in accordance with international financial reporting standards (IFRS).

2. PAPER BODY

Methodology of research: In this paper, literature review follows the presentation of the current state of knowledge, through recourse to citations, highlighting current concepts regarding the application of international financial reporting standards, measuring performance through intermediate management balances. At the same time, theoretical documentation of allowed presentation of concepts considered significant in relation to the topic under study. Study of the synthesis documents as a method of research was chosen to record the main similarities and differences in relation to the structure of the profit and loss account, the possibility of using the information provided by the profit drawn up in accordance with the national rules and IFRS in the intermediate management balances analysis. The case study used aimed at illustrating how training of the entity in the context of the adoption of international financial reporting standards and the possibility of using information provided by accounting reports prepared in accordance with IFRS in calculating balances intermediate discharge and hence, their use in measuring performance. Participatory observation was used for the analysis and interpretation of the results of the study case, and last but not least, grounding some opinions in the light of the results obtained and the achievement of the objectives proposed.

2.1. Application of International Financial Reporting Standards in Romania

With the expansion of the phenomenon of economic globalization, the idea of drawing up and presentation of accounting information in a common language, to ensure comparability, transparency and the possibility of communication between users of the transnational, led to the development and spread of worldwide (in the process of harmonizing accounting) to international financial reporting standards (Pașcan,2015). IFRS are a set of accounting standards recognized internationally that enable companies compiling the annual financial statements in accordance with the rules applicable at international level unique, thus ensuring a high degree of comparability. In Romania, in 2012 we discuss an initial application of IFRS as the basis of accrual-based accounting, credit institutions (banks, credit unions, savings banks). Currently, on the basis of the current national regulations (OMFP 2.844/2016), in addition to the credit institutions applying IFRS-represent a requirement imposed on companies whose securities are traded on a regulated market-stock exchange Bucharest (for both the consolidated annual financial statements, as well as for the individual). In literature we find studies (Lăpăduși, Căruntu, 2011) that refer to the role of the international financial reporting Standards, which is to engineer improved financial and accounting, transparency and creating a business environment sane and believable, both nationally and globally. IFRS-keep trying to meet the demands of internationally developed and emerging economies to have a set of rigorous and common accounting standards addressed to all those who act in the business environment. The main advantages of IFRS are that they make international financial statements more comparable; enable investors to better understand financial statements and make decisions accordingly; and help corporations reduce financial costs (Chin-Wen, Wen-Chieh, 2018).

2.2. Measuring performance through intermediate management balances in the context of the application of IFRS

Performance is a complex notion, whom he met in the literature a number of definitions. Many of these have tended to focus on the size of financial results showing efficiency as a primary measure of performance. Entity level, performance is what contributes to the improvement of the cost-value torque, and not only what contributes to reduced costs or increased value (Pintea, 2010). In economics, the concept of performance covers different, such as: growth, productivity, profitability, profit, value. Some authors (Briciu, 2006) have tried to develop the three variables of performance (Performance = economy efficiency effectiveness), profitability means resources to purchase the lowest cost; efficiency involves maximizing the outcome-minimizing resource quantities for a predetermined outcome; and effectiveness of the results obtained through translated. The literature studies can be found (Gruian, 2010) which discusses the concept of performance at a company level. According to them, if a company is performing is primarily initial productive, long-term source of productivity performance.

Assessment of financial performance based mainly on account of profit and loss balance analysis of intermediate discharge (Barbuță-Mișu, 2009). The profit and loss account is an important component of a set of statements, which any entity is required to prepare it at the end of the financial year (calendar year). It gives a true and fair view of the financial performance of the entity, the result of the income and expenses relating to a period of management, as well as the training of economic results. In the context of the application of international financial reporting Standards (IFRS), the structure of the profit and loss account (table 1) has undergone some changes. We discuss the case of a review of the revenue and expenditure according to their nature in the context of the overall situation of the result (profit and loss account according to IFRS), considering that these methods of presenting information more credible and relevant. Thus we opinion of authors (Onica, 2012) according to which, even if we live in times when the pace of the transition to IFRS reporting in accordance with the application is becoming more alert, noted that amendments to these types of reports are not objective of empowering information data presented in the balance sheet but rather the rearranging of workstations, with the presentation in the balance sheet notes on the impact of possible economic implications arising from the transition to a different reporting requirements. Recent studies in the field (Doba, 2017) we talk about the emergence of certain obligations for the recognition of revenue and expenditure, for example: the recognition of income from dividends, gross value adjustments for claims and recognition payables deferred income tax (a tax-deferred recognition for those temporary differences that arise between the tax base of assets and liabilities for tax and book value thereof).

Profit and loss account according to IFRS and OMFP 1802/2014

Table no.1

Profit and loss account according to IFRS	*Profit and loss account according to OMFP 1802/2014*
Sell goods income Revenue from services Other income **Turnover** Other operational revenue Changes in stocks of finished goods framework and developing Raw materials and consumables Employee benefits expense Depreciation, amortization and loss of value Marketing and advertising expenses Expenditure on rents Depreciation revenue Other operational expenses **Gross operational surplus** Financial revenue Financial expenses **Profit before tax** Income tax expense **Gross result** Other elements of the global outcome Gains/losses from revaluation of tangible Income tax expense deferred Actuarial gains/losses in connection with benefits to employees **Net result**	Turnover Sell production Sell goods income Change in stocks Other operational revenue **Total operational revenue** The costs of raw materials and consumables Goods expenses Wage expenses Loss of value Other operational expenses **Total operational expenses** **Gross operational surplus** Income from participating interests Income from other investments and loans Income from interest + others **Financial revenue** Loss of value Income from interest + others **Financial expenses** **Financial result** **Gross result** **Tax** Other tax **Net result**

Source: own screening

Profit and loss account is the basis of preparation of the intermediate management balances on the dashboard. Intermediate management balances gives us information about the entity's ability to achieve profit, and profitability of the business entity on different levels, being a true indicator of appreciation of the health status of an entity. Putting the training mode of the outcome, intermediate management balances is an important step in measuring the performance of an entity. In the literature we encounter numerous attempts of separation of the intermediate management balances. Thus, an author's opinion we subscribe (Dumitru,2014), according to which, the intermediate management balances (IMB) indicators determined in cascade in the form of money accumulation margins, designed to perform the specific function of the de remuneration of the factors of production and of financing of future activity, which highlights the stages of the formation of the net result of the accounting period in close connection with the structure of the incomes and expenses of the company activity. In agreement with the idea presented by some authors (Rǎscolean, Monea**,** 2014), which outlines the main features of the intermediate management balances the dashboard, under the category of which they are ingredients: tools for appreciation of business growth; tool that helps in understanding the mode of formation of the net result; tool for analyzing profitability.

To analyze how the outcome of an entity in the context of the adoption of international financial reporting standards and the possibility of using information provided by accounting reports prepared in accordance with IFRS at intermediate management balances on calculus and hence, their use in measuring the performance we realized a comparative study of performance appraisal on the basis of the intermediate management balances, calculated from the profit the loss made by the company its range in accordance with national rules and the outcome of the global situation drawn up according to IFRS (table 2).

Intermediate management balances according to IFRS and national rules

Table no.2

Nr	CALCULATION	IFRS	National rules
1	Sell goods income (707)	27.850.275	29.358.343
2	Goods expenses (ct 607)	24.180.412	24.180.412
3	Commercial Margin (1-2)	**3.669.863**	**5.177.931**
4	Sell Production (ct 701-706+708-709)	190.406.055	189.478.312
5	Change in stocks (ct 711 +/-)	1.922.425	1.922.425
6	Stock production income(ct 721+722)	265.170	265.170
7	Exercise productions (4+5+6)	**192.593.650**	**191.665.907**
8	Third expenses (gr.60-607, gr.61, gr.62-621)	105.114.047	109.275.973
9	Added value (3+7-8)	**91.149.466**	**87.567.865**
10	Tax expenses (gr.63)	2.017.592	2.018.025
11	Wage expenses(gr.64+621)	44.126.370	44.057.370
12	Gross operational surplus (9-10-11)	**45.005.504**	**41.492.470**
13	Other operational revenue	19.762.787	21.596.313
14	Other operational expenses	14.762.280	10.769.364
15	Depreciation Expenses	11.898.569	14.211.977
16	Operational result (12+13-14-15)	**38.107.442**	**38.107.442**
17	Financial revenue	7.983.567	7.983.567
18	Financial expenses	1.938.258	1.938.258
19	Financial result (17-18)	**6.045.309**	**6.045.309**
20	Gross result (16+19)	**44.152.751**	**44.152.751**
21	Tax	9.975.643	10.208.442
22	Other items: of which:	-1.649.452	-1.882.250
	a. the fair value of the fixed assets	-2.067.205	**-**

	b. income tax expense deferred	330.753	-
	c. losses in connection with benefits to employees	87.000	-
22	Net result (21-22)	**35.826.559**	**35.826.559**

Source: profit and loss Account of a company listed on the Bucharest Stock

Exchange from the data in table 2 we see that commercial margin, added value and gross operational surplus have recorded by different amounts. Other indicators, such as financial result or operational result and gross result have the same value. We can discuss when applying IFRS as a basis of accrual-based accounting, a new performance appraisal system, which put more emphasis on the newly created entity value and operational profit. The added value of a society under the conditions of the financial and accounting information re-treatment in accordance with IFRS shows an increase of 3,581,601 in the intake of the entity at the national wealth will, through the efficient use of resources through financing by default the work and compensation of employees, shareholders and the state. Commercial margin decreased 1,508,068 to the detriment of the commercial margin calculated based on the information from the profit and loss account drawn up in accordance with national accounting standards. Consider this negligible given the increase slightly with 927,743 lei of the exercise productions resulting in the production year, and increase with 3,513,034 in gross operational surpluses from operational activity. This increase confirms the effectiveness of the entity's industrial and commercial, and generating the necessary resources to finance the repayment of loans, investments, capital and reserves remuneration, the maintenance of technical equipment and payment corporation tax.

3. CONCLUSIONS

Intermediate management balances gives us information about the entity's ability to achieve profit, and profitability of the business entity on different levels, being a true indicator of appreciation of the health status of an entity. Putting the training mode of the outcome, intermediate management balances is an important step in measuring the performance of an entity. Research results show that adoption of IFRS as the basis of the accounts, and hence as a basis for drawing up accounting reporting represents a new system for analyzing the intermediate management balances and performance assessment, system centered on contribution to the national wealth through value added, will through useful added value to both scholars and investors financial analysts in determining their forecasts, which should be applied at the level of entities. Restating financial information according to IFRS requirements, embodied in a process of normalization of international accounting standards, creates a high degree of comparability of financial performance, which leads to increasing transparency of operational and financial activities of entities.

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