

ACCOUNTING IN THE CONTEXT OF CORPORATE GOVERNANCE: EMPIRICAL STUDY BASED ON COMPANIES LISTED ON THE BUCHAREST STOCK EXCHANGE

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Abstract

This study explores accounting in terms of its openness towards new trends of the capital market in the context of globalization and continuously changing needs of various categories of users. The theoretical framework of the study explores the relations between traditional elements of financial and managerial accounting in correlation with new trends generated by the development of sustainable corporate governance. Strategic managerial accounting has been one of the new challenges brought by the need of companies to disclose their non-financial information related to internal and external environment for short, medium and long-term decision-making. The authors look at the regulatory framework in order to underline the evolution and conditions that businesses should comply with in their internal and external reporting. For this purpose, annual reports of main companies listed on the Bucharest Stock Exchange have been used in the empirical study. Specifically, the study proves that the elements of modern accounting cannot ignore key operations of company management. In this context, such information as risk management, evaluation of investment, corporate social responsibility, internal audit, internal control, managerial strategies, financial reporting, performance and stewardship are becoming very important.

Key words: accounting regulations; financial reporting; corporate social responsibility; annual financial statements; strategic managerial accounting.

JEL Classification: G38; M41.

1. Introduction

In collecting and processing of information related to business operations, accounting as the main provider of information inside a company, should take into account both external and internal factors. National and international regulatory framework together with constantly diversifying requirements of internal and external users of financial and non-financial information play a key role in the process of modernization of accounting. Also, technological revolution, the development of capital market and international stock exchange are the next category of factors with significant influence on information provided to accounting.

From this perspective, the study of relations between financial and managerial accounting is not enough to take into account all factors that have been mentioned earlier. The study starts with the analysis of the views of researchers in the field of accounting, and of the European and international regulatory framework. The IFRS standards and the provisions of the EU Directives play a key role in this sense. Still, together with the appearance of the Global Management Accounting Principles issued by the Chartered Global Management Accountant, new dimensions have been added to the

research rule in this field. The elements of accounting should be studied from the perspective of key tasks of the accounting management [12].

Theoretical findings were practically tested based on the annual reports of companies listed on BSE in 2015 compared to CGMA principles, this study has been further completed considering a series of theoretical and regulatory studies, including the CGMA version for 2017, and empirically, using annual reports of companies for 2018.

In contrast to other disciplines, accounting is mainly studied using the reports it provides. It explains the maintenance of the regulatory nature of its theories. Still, it is not clear how current accounting theories should be modelled, taking into account sustainable development, the growing number of users, the pairing up with the system of performance and risk assessment.

2. Literature review

Theory guides a research study by its overall knowledge and ideas presented in a generalised form. Positive theory of accounting appeared due to results reported in a series of studies [21]. The first reason is linked to the following statement „Towards a positive theory for determining accounting standards“. [Watts and Zimmerman \(1990\)](#) contend that the aim of this theory is to explain and forecast accounting practices in order to repair the deficiencies of the normative theory of accounting. According to this theory, we can understand better the sources of pressure related to the need of designing accounting standards, the consequences of provisions of different accounting standards on various groups of individuals, and the issues that need to be dealt with in the allocation of resources [40].

This theory is centered on social responsibility: corporation use a set of means, such as social responsibility actions in mass media in order to minimize the reported profit and to avoid various political actions that could eventually generate costs that a company may have to pay to cover the consequences of such political actions. The size of political costs mainly depends on the company size [41]. So, to avoid the potential costs that would be difficult to acknowledge in financial statements, various actions in mass media were initiated to reduce the obtained profit and to contribute to strengthening of public's trust and also to avoid conflict if a company has monopoly on the market.

Contingency theory, within managerial accounting, refers to all processes needed to create a control system ensuring the production of company's items. These are the result of managerial activity designing its structures depending on company's strategies, its nature and size, technological process and competitiveness on the market [43]. While [Jokipii \(2010\)](#) stresses such factors as managerial strategies, size of company's operations, organizational structure, degree of perception of environmental uncertainties [29]. [Hoque \(2004\)](#) argues that according to this theory the accounting system of accounting and control varies by circumstances and specific situations in which an organization operates. Some authors believe that „there is no best model or system of managerial control, it all depends on” situational or contextual factors”. Besides the factors mentioned above, [Hoque \(2004\)](#) mentions a set of other variables involved in designing and use of accounting and control processes in organizations. These include: culture, organizational and motivational values, style of decision-making, management's trends for profit growth [25], etc.

In his study of the history of accounting theory, Chambers (2013) investigates whether there are differences between accounting research and financial reporting practices. These being justified by the fact that accounting research is done individually by research accountants assessing the events independently in the context of their environment, culture or the economic development of the country they belong to. While the accounting standards are developed by international non-profit professional institutions whose members belong to different cultures, transparency calls for the inclusion of a wide range of stakeholders, including the institutions with a high influence on the

content of standards. Another relevant issue noticed by Whittington (2012; 1987; Watts and Zimmerman) refers to the tendency of today's researchers to disregard previous research. A science develops when prior research is being incorporated and adjusts to the current need for financial-accounting information and to the economic development [44, 42]. From this perspective, we examine the need of updating the positive accounting theory. The new accounting theory of Watts and Zimmerman (Whittington 2012; 1987) focuses on the needs of top management, the accountants trying to describe economic reality considering these needs [44]. Highly criticised by Christenson (1983; Whittington 2012; 1987), for whom it "is really a sociology of accounting" as it focuses more on the behaviour of management and accountant and less on accounting as such. In our view, it is important as several views are considered, creative accounting being developed due to the fact that accountants are involved in decision-making [44]. Still, in order to formulate a new theory that would be differentiated from other sciences, it should be completed by a set of elements specifically related to accounting.

Another highly criticised aspect is related to the normative nature of accounting theories. Economic globalisation shows that lack international standards in financial reporting is an obstacle in its further development. Still, the development of such standards should consider not only the users having direct financial interests, but also the clients, suppliers and other categories of users with an indirect financial involvement. Another highly significant factor for the development of accounting theories is taking into consideration the nature of decision to be made using the information provided by accounting. In other words, it especially affects managerial accounting, the normative nature referring mostly to financial accounting. An accounting theory should be general and it should provide solutions for various problems faced by financial and managerial accounting, taking into account past and future business transactions.

Irrespective of the above made claims, we argue that the accounting theories played a significant role in shaping the content of financial reports. The idea of promoting today "sound financial reporting" through international nature of financial reporting standards provides evidence for the existence of solid prior scientific grounding that should be continuously used and adjusted [42]. Despite the generality of a theory, the factors needed be examined in assessing the efficiency of an accounting theory should include the level and specific features of economic and political development, theoretical and pragmatic need for information in taking day-to-day decisions and report-making, public and individual interests of various categories of users.

In spite of the high number of theories applicable to accounting, Hofstede et al. (2012) focuses on organizational culture manifested as a set of symbols, values, etc. Accounting is viewed as a language of business and its task is to handle symbols that make sense only to people involved in a business [24]. Hofstede underlines that the accounting system in the United States and Germany, viewed as masculine companies, focuses on reaching short-term financial goals. While in Sweden and the Netherlands, accounting companies, seen as feminine companies, emphasize on other values. In countries with strong uncertainty avoidance (Germany, France, Japan), the annual reports sent to shareholders match the fiscal reports, while in countries with lower uncertainty avoidance (USA, the Netherlands, Great Britain) fiscal reports differ from the reports sent to shareholders.

Investigating the implications of corporate governance becomes highly important in acquiring a deeper understanding of organisational culture. The early twenty-first century financial scandals that occurred at Enron, Tyco International, WorldCom, Xerox etc. show the need of deep changes in recording, processing and presenting financial and accounting data in financial reporting. The old structure of board of directors containing the executive committees, including the audit committee, fail to meet the new conditions imposed by big companies. Hilb (2016) suggests that one of the causes of such scandals refers to the flaws of the agency theory, according to which, the earnings could not be distorted, and the focus should be placed entirely on extrinsic

motivation [23]. From this perspective, we think it is vital for reporting modeling to take into account not only the needs of shareholders and board members, but also those of company employees, clients, suppliers, or of other indirectly involved stakeholders [15]. So, the new vision of corporate governance has been marked in terms of practice by corporate social responsibility, and by the „Evolutionary Stable Strategy” when it comes to theory. This theory stipulates that in order to gain a higher advantage than a competitor in economic games with more than two rationally selected strategies, there should be some stable fixed points that would secure survival [2].

The agency theory plays a key role in examining financial-accounting reporting although it is one of the most criticised theories. After analysing the progress of this theory from Adam Smith’s book, *An Inquiry into the Nature and Causes of the Wealth of Nations*, (1776) until today, Zogning (2017) found that its accounting part refers to the relations between managers and owners having different goals but taking decisions relying on the same data [47].

Another issue of agency theory linked to managerial accounting refers to the fact that now most companies do not calculate their price based on cost but in line with market supply and demand [10]. Stakeholder theory is also important in this sense although Friedman (2002; Archer 1995) outlines the need to do research using the realist social theory. These relations could generate various influences on the financial reporting data [19]. From this perspective, the author suggests the need of breaking the stakeholders into four categories. The ethical side of the stakeholder theory says that corporations shall not harm or deceit the stakeholders through any specific action or supplied information [19].

There are authors who state that corporate social responsibility could be used as a smoke screen using information transparency and sustainable development to gain a positive public image [38]. In this sense, the credibility of actions and information supplied by these companies should be critically assessed although some researchers support socially responsible company managers, having a more ethical conduct [14]. The positive aspect of CSR policy promotion lies in strengthening the relations with all categories of stakeholders [38] and developing innovation in the process of adaptation to harsh conditions of the internal and external environment, including the severity of legal regulation [37]. There persists another financial management issue related to the way the climate change information is presented in financial reporting, despite the common set of IFRS standards. The need for such data is due to legally binding Paris Agreement and the United Nations Framework Convention on Climate Change, which should show the effort of a company in its contribution to maintaining temperature rise in the world under 2°C.

Barth and Schipper (2008) studying the definition of transparency in IASB (International Accounting Standards Board), FASB (Financial Accounting Standards Board) and in other bibliographical sources, we reached the conclusion that neither researchers, nor those who made the standards gave a clear definition of transparency [6]. So, the following definition was given: transparency is the degree to which financial reports disclose the operations of a company in a manner that would be easy to understand by all categories of users of financial reports. Now, transparency is more complex in its nature, and we believe it should be researched in terms of corporate governance. So, according to principles of Corporate Governance of Organization for Economic Cooperation and Development (OECD 2015), corporate governance should ensure a timely disclosure of accurate information regarding all significant matters in a company, especially its financial situation, earnings, shareholders and governance [34]. As it may be observed, Barth and Schipper (2008) discuss the need of disclosing clear information to all categories of financial information users [5], while OECD principles (2015) stipulate that transparency is a timely and comprehensive disclosure of all significant information. Development of corporate governance

forces companies present, besides its financial reports, other information needed not only by shareholders but also by other categories of users interested in company's operations.

Globalization of business operations and growth of importance and power of stock exchanges have generated the appearance of international financial reporting. The need to prepare reliable and comparable financial information for the international market has stimulated the process of global accounting harmonization [32]. Accounting regulatory framework of each country has undergone a significant change by simplifying their national specificity and introducing international accounting principles. So, financial reporting in different countries and fields of activity can be compared as these are made using the same principles.

The history of International Accounting Standards Committee dates back to the end of Second World War, which appeared due to the need of standardization of accounting principles. In this sense, Sir Henry Benson, the Chairman of the Institute of Chartered Accountants in England and Wales (ICAEW), founded the Accountant International Study Group in 1966 that included representatives of accountants in the United Kingdom, USA and Canada. The Study Group produced 20 brochures containing comparative studies on various accounting practices adopted in the three countries. The activity of AISG stopped in 1977 as a result of creation of IASC and IFAC [4].

IASC was founded in 1973, at the initiative of Sir Benson and other national accounting international bodies from nine countries (Australia, Canada, France, Germany, Japan, Mexico, the Netherlands, the United Kingdom, including Ireland and the United States). The objective of this organization was to develop high quality International Accounting Standards (IAS) accepted internationally, without the cultural influence of any professional organization or country. Although IAS left room for various alternatives, IASC had to deal with the issue of compliance. Until 1987, national accounting regulations had not taken into account the principles of standards imposed by IASC, except for the United Kingdom, the United States, Australia and Canada. Even more, various institutions affiliated to IASC lacked enough formal power to convince companies in their countries to adopt the IAS standards as most listed companies were interested in accounting issues [4].

By the end of the seventies, IASC had seen the need for growing the number of its members and higher involvement of other users of accounting information besides accountants, in order to ensure a higher level of compliance and greater international recognition. Some political pressure was exerted by the USA, the United Nations, OECD and the European Union, due to the fact that a set of standards could not be used internationally as these were made up only by accountants. In IFAC was set up in 1977 and IASC risked being merged with the newly founded federation due to overlap duties of the two institutions. To solve this problem, IASC AND IFAC made an agreement – Pact of Mutual Commitments, which provided that all IFAC members became automatically members of IASC. This way, IASC and IFAC remained to be two independent bodies but their relations and roles had been clearly specified [4].

Now IFAC comprises 175 members and associations from 130 countries, representing almost 3 million accountants. It is contributing to the development of the accounting profession by promoting transparency, responsibility and comparability of financial reporting. One of the goals of this institution is to support the International Ethics Standards Board for Accountants (IESBA) in its communication and funding, to facilitate the process of appointment and selection of the board's council involved in writing up and updating the International Code of Ethics for accountants [28].

First accounting standard was published in 1975. Since then, the process of developing of these standards has been significantly changed, and IASC was reorganized in 2001 [5], [6]. Starting with 2005, companies listed on the Stock Exchange in Europe started to make their financial reports in compliance with the International Financial Reporting Standards (IFRS). These contain standards and interpretations issued by IASB and managed by the IFRS. The main goal of these

foundations is to develop, for the interest of the public, a common set of high quality standards of financial reporting that would be compulsory, comprehensive and accepted based on a set of clearly defined principles.

The IFRS Foundation was set up in December of 2010 due to change of the name of IASC Foundation. The common set of IFRS standards includes: International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (Committee for the Interpretations of International Financial Reporting Standards) and Conceptual Framework for Financial Reporting. These standards have been accepted for application in 166 countries, divided into following categories: Europe - 27% (44 countries), Africa - 23% (38 countries), Middle East - 8% (13 countries), Asia and Oceania – 20% (34 countries), America – 22p% (37 countries).

The European Commission has agreed with the use of IAS/IFRS on the basis of the decision of the Accounting Regulation Committee (ARC), which benefits from technical assistance and recommendations of EFRAG (European Financial Reporting Advisory Group) in its assessment of IFRS [18]. The Directive 2013/34/UE of the European Parliament and the Council on annual financial statements is promoting a policy aimed at increasing sustainable development and reducing of administrative tasks, improving the regulatory framework and business environment, especially for SMEs and, promoting their internationalization by eliminating beaurocracy. So, the annual financial statements pursue several objectives, not just provide information to investors on the capital market. The legislation of the European Union in the area of accounting sets a balance between the interest of target readers of financial statements and the interest of companies so that they are not excessively burdened by the reporting requirements.

The analysis of evolution of accounting standards compared to European directives shows a new stage in the evolution of accounting. Up until recently, accounting had been researched from the Anglo-Saxon or Anglo-American and Continental European perspectives. Now, there are two groups of countries dominating financial reporting internationally: The European Union by means of its directives, and the Anglo-Americans through IASC/IASB. The European Commission aims to realign to IFRS, and the members of IASB, and especially the ones oriented towards Anglo-Americans, to hold the majority and be able to influence the issued regulations. The IOSCO (the International Organization of Securities Commissions) is another actor with a significant influence on the content of financial statements. The importance of this institution has grown due to capital market development, especially through the growing influence of stock exchanges on data in statements provided by accounting [18].

Despite the high growth of the role played by the professional accounting institutions, we believe the views of independent researchers should also be studied. We should note the studies of Iatridis [27] when companies from Great Britain switched from UK GAAP to IFRSs showing a reinforced accounting quality. There are opinions [31], according to which, the financial reports of companies facing the constraints imposed by some specific interests are adapted to match the expectations of stakeholders, less constrained companies presenting more reliable data in their reports. Another factor that may influence data in financial reports is related to the availability of financial resources. Managers of companies with available resources have lower operational efficiency, while those with high financial restrictions have a higher financial efficiency [31], which is also influenced by the tax aggressiveness [17]. The companies modeling financial-accounting information depending on the expectations of Stock Exchange players tend to increase the profit, tax aggresiveness having a reverse tendency of profit lowering [17]. The quality of financial reports could also be influenced by investors' sentiments, being affected by the reduction of stock value [46].

The elements of traditional accounting system are shown in detail in Figure 1 by means of financial and managerial accounting. These elements are supplemented by modern elements of strategic managerial accounting.

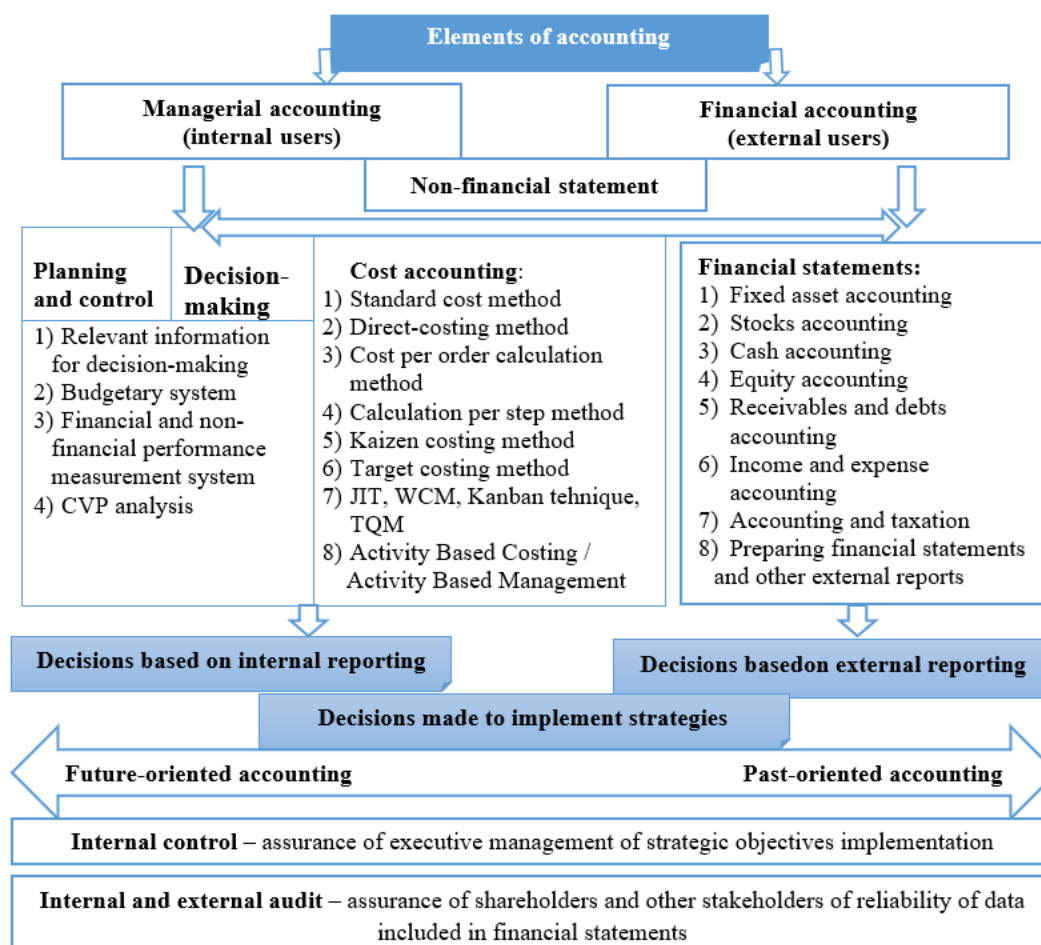


Figure 1. Current and future features of the accounting system.

Source: Developed by the authors on the basis of [13].

As shown in Figure 1, accounting quantifies the value of business operations, using the principle of double registration processes and presents it in internal and external reports. Traditional elements of accounting are analyzed from the perspective of the two sub-systems: financial and managerial accounting. This approach is the result of division of accounting by its two major objectives: provision of information to its internal or external users.

Managerial accounting is the branch of accounting dealing with the development of company management specific needs for information [43]. Management uses financial information to ensure the efficiency and efficacy of its business operations [45]. Literature in the field does not make a clear distinction between managerial and cost accounting. Several researchers see these terms as interchangeable, others use the term cost management to unify the two types of accounting, although this term does not belong to the accounting system.

Therefore, cost accounting connects financial and managerial accounting as it refers both to internal and external users [30]. So, it provides information to both types of accounting in what regards the resources in a company. The actual role of cost accounting is to provide the actual cost calculated by means of various methods and principles of IFRS, as well as using other indicators of financial performance. Decisions based on planned costs reflect future-orientation of companies through their financial plans and budgets made on the basis of past data [13], [7], [8], [9].

The recommended modern methods (Figure 1) to be used in the calculation of cost in the studied companies are analysed theoretically or partially, only for specific products and operations. An older international problem also reported by Stanley (2003) is the fact that there is a category of managers who are less open to making changes related to the introduction of new methods. The first cause for that could be the risk of profit reduction in the next periods, or the appearance of tensions among the employees, resulting in additional efforts in setting up a new procedure for taking decisions. We support Stanley's view (2003) that the change of organisational architecture should start with finding out the causes that have influenced the current structure, followed by a detailed analysis of the advantages and disadvantages of the old structure compared to the new one.

Now, accounting is involved in decision making as the information it provides is produced depending on the nature of a decision that should be made. A current research issue of modern accounting refers to the costs made before and after the process of production that are not included directly into the cost of products although influence the size of company profit. The resources used by a company before the production process to cover the costs for product research, development are the upstream costs, and the marketing, distribution and client service costs made after the process of production are the downstream costs [43].

So, research and development managers ask for information about costs and Human estimated income of producing new items or changing the existent ones. Human resource managers need information on salaries, salary-related tax, bonuses and increments, benefits in kind, etc. Production managers oversee the costs of raw materials, their quality and the consumed quantity [45].

The traditional approach includes the calculation, evaluation and communication of relevant costs for internal decisions. Strategic managerial accounting is a modern approach, and the costs are assessed against the performance of competition. In this sense, the new structure of managerial should take into account the three functions of management: planning, decision-making and control. Therefore, Hansen et al. (2009) argue that the main features of accounting are: (i) calculation of costs of products and services, (ii) planning and control, and (iii) decision-making [22]. According to Hoque (2004), financial accounting in a production company registers all operations, and the cost of production is calculated on the basis of rules of costs accounting [25]. For this purpose, cost management compares the real production cost with the budgeted cost, and the strategic cost management combines the result of this analysis with other non-financial indicators related to internal and external environment and uses it in future decision-making.

The main goal of financial accounting is to provide information to external users taking into account the IAS/IFRS provisions and other national regulations. Most relevant reporting includes such financial statements as the accounting balance, profit and loss account, the statement of changes in equity, cash flow statement, etc. Before being sent to external users, these are checked by another individual or legal person, independent from company's operations called an external auditor Kinney and Raiborn (2010) state that financial accounting in the 1900s was the main source of information for evaluating business operations [30]. Companies often used return on investment (ROI) to evaluate the performance of company affiliates. The way this indicator was calculated does not match today's formula as it was initially calculated by relating total income to total assets. Now, this formula is getting closer to calculation of return on assets (ROA) and annual reports together with financial reports contain many other indicators seen as financial and non-financial performance. Information regarding company risks are also presented in the annual reports. The problems shown by the authors refer to reality of such reports, often the information having a symbolic nature [1] for the users of annual reports. To present efficient and transparent risk management policies, managers should present reliable information, although the existence of other interests forces them to supply symbolic information concerning the risks.

Cokins (2014) reported that the financial accounting reports referred mainly to past events, while managerial accounting reports considered future events [13]. This proves that managerial accounting has extended its roles by including data provided by financial accounting into the system of performance measurement. However, this contradicts with the views of Horngren et al. (2012) that financial accounting data refer to past events in terms of their financial statements, while performance refers to future events [26]. Managerial accounting is future- oriented through its budgets. We argue that now financial accounting refers to future events through its risk assessment of a company and showing the provisions needed to cover potential debts or bad debts, etc.

Today, accounting is facing new challenges given by the need to prepare non-financial reports. Disclosure of non-financial information in accordance with the Directive 2014/95/EU of the European Parliament and the Council as of October 22, 2014 is an essential component in ensuring the development of a sustainable international economy (EP 2014). Non-financial reports are a mixture between long-term profitability with social justice and environmental protection. So, some companies, as a rule companies with more than 500 employees over one financial year, should prepare a non-financial statement. This report should contain environmental, social and personal issues, information on respect for human rights, fight against corruption and bribery [16].

Finally, we observe that currently information provided by accounting is the result of evolution of accounting, as well as society in general. This has been shown theoretically by reviewing the literature in the field. The empirical study to further complete the study and is based on the content of annual reports of companies from the main segment of the Bucharest Stock Exchange.

3. Methods

Presentation of theoretical and regulatory aspects of accounting in ensuring the continuously changing needs of different categories of users should be combined with the practical issues. The accounting research is considered to be completed only after a close evaluation of company's overall results. Therefore, the empirical study was conducted using the Global Management Accounting Principles - Guide (CGMA 2017), from which, we have extracted the main categories associated with key activities of the accounting management. This guide was made by AICPA (American Institute of CPAs) in cooperation with CIMA (Chartered Institute of Management Accountants) [12].

To verify the degree of correspondence between theoretical and pragmatic approaches to relations among the elements of the accounting system, we have analyzed the annual reports for 2015 and 2018. The information contained in this article presents a generalisation of detailed prior research on managerial control and corporate governance. Accounting as an element that combined with the earlier mentioned elements is more valuable and needs a specific approach. So, this study also comprises a manually performed content analysis, which makes use of the elements that could not be considered in earlier studies.

The reports were extracted from the web page of the Bucharest Stock Exchange (BVB) within the regulated market. The companies operating in the financial sector were excluded from the sample, and there remained 39 companies for 2015 and 31 for 2018. We used content analysis as a method for collecting and processing the information used in the empirical research.

4. Results and discussion

In studying the key operations of the accounting management, we considered the CIMA's view on the global principles of accounting management and generally accepted accounting principles of the IFRS standards. Up to now, there has been no other similar conceptual framework that would regulate the activity of the accounting managers in terms of accounting practices and practical conditions imposed by global economy. Therefore, financial officer's duties and

responsibilities (CFO) include accounting, as well as other areas: external reporting, financial accounting and operations, performance management, other technical expertise etc. External reporting includes complete financial reports comprising corporate accounts, statements of management and external auditors. Report integrity is another feature that needs to be complied with and it entails an overall vision on the financial and non-financial performance of an organization, and the business model and the risks and strategies needed for efficient assessment of performance expected in the future [12].

Categories in Figure 2 show the current practical roles of the accounting management. As it may be observed, 100% of companies during 2015 and 2018 included information regarding financial situation, system of performance measurement and stewardship. It reflects a maturity of external financial reporting and also the level of development of the capital market represented by BVB.

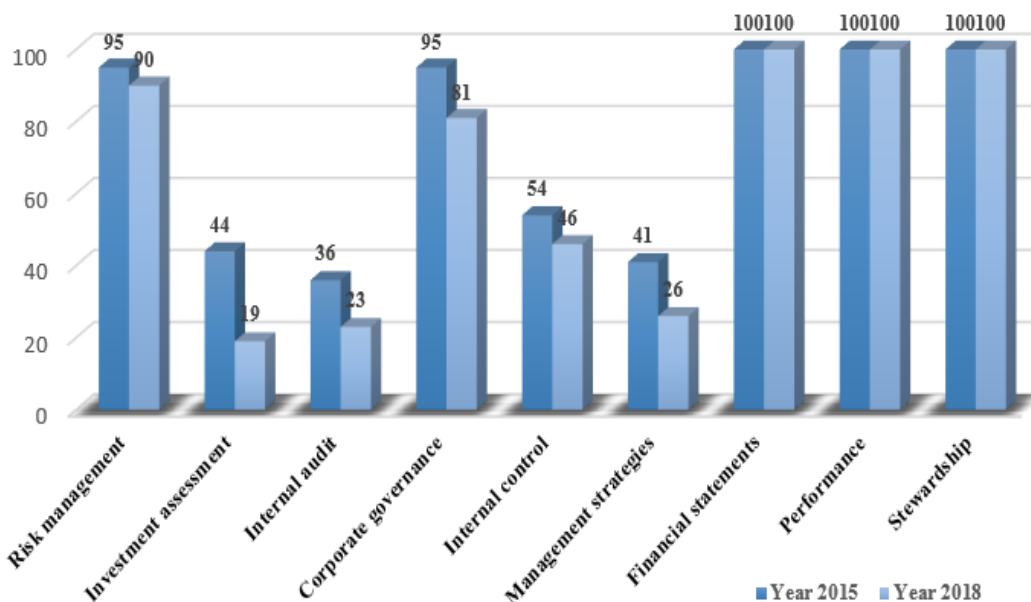


Figure 2. Areas of accounting management in the annual reports of Romanian companies, (%)
Source: Source: Developed by the authors based on data from Bucharest Stock Exchange.

Managerial strategies and internal control are the categories with the lowest percentage in Figure 2, still, we should consider the fact that these are the newest categories, and the results of the study show that some managers understand the need to introduce them. The percentage of 54% in 2015 and 46% in 2018 prove that a significant number of listed companies include information on the way internal control procedures are organized, and the results of sections 302 „Social responsibility of corporations in financial statements“ and 404 „Managerial evaluation of internal control“ of the Sarbanes Oxley, act have been felt even in Romania.

The content of performance management is consistent and includes: plans, costs, risk, management projects, governance and internal audit. Although in Figure 2 many of these elements are separate categories, these still belong to the system of performance management. For example, risk management had a significant share in 2015 – 95%, with a slight decrease in 2018 - 90%. Corporate governance and internal audit are included into this category, which decreased in 2018 by 14% and 13% in terms of internal audit, showing the importance of the regulatory framework that has imposed these reports. So, companies have to submit financial statements, although for other components shown in Figure 2, there are no direct provisions in the legislation, it depends on the view of the company management.

The 100% weight of performance in annual reports in Figure 2 shows a general size. Although lately non-financial performance has been playing a key role in the decision-making

process, financial performance is still the reference point in company evaluation, the components of financial performance are further analyzed in Figure 3.

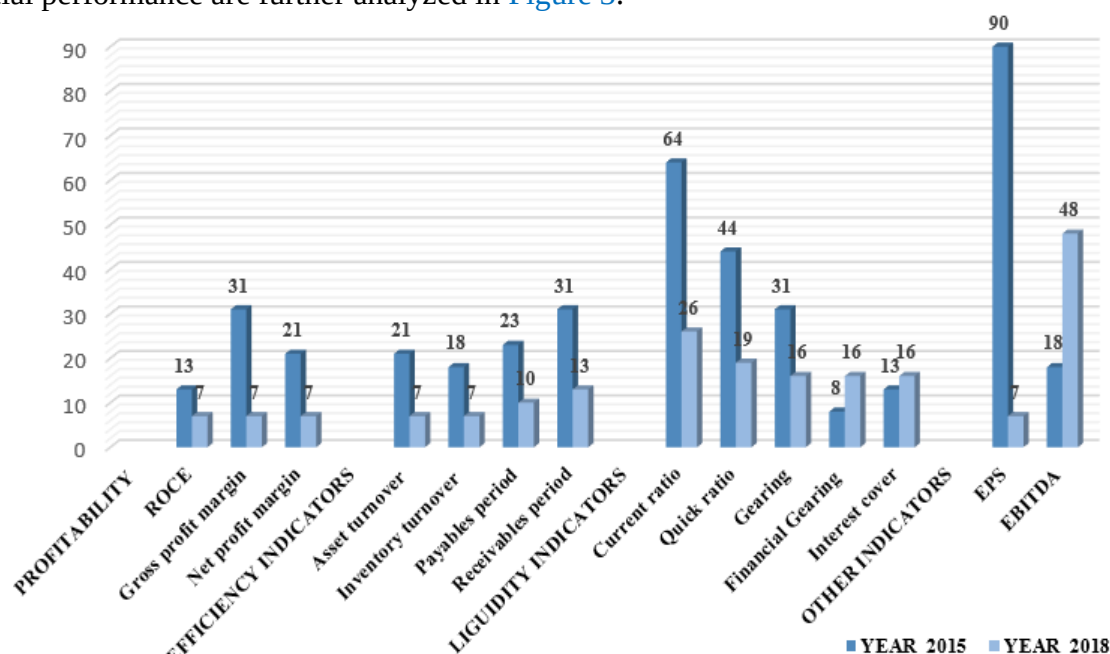


Figure 3. Use of financial performance indicators, (%)

Source: Developed by the authors based on data from Bucharest Stock Exchange

Indicators in Figure 3 have been analyzed on the basis of annual reports of listed companies in the main segment of BVB. If profit until recently has been the main element of financial performance, it has now been replaced by a series of indicators shown in the figure above.

Indicators of profitability refer to the first three indicators in Figure 3, and the weight higher than 31% is the gross profit margin for 2015. For 2018, we observe a significant reduction of the degree of inclusion of these indicators into the annual reports, with 7% for the three indicators, namely, 2 out of 31 companies calculated these indicators. Concerning the indicators assessing the financial and business efficiency, it could be seen that the highest weight of 13% in 2018 and 31% in 2015 is found in the receivable's turnover ratio. In the category of liquidity and of indebtedness indicators, current liquidity ratio has the highest weight for both periods. If we are to analyze them in dynamics, we note a significant decrease from 64% in 2015 to 26% in 2018.

As for other indicators, most relevant are EPS (Earnings per share) and EBITDA (Earnings before interest, tax and depreciation adjustment), with significant fluctuations from one period to another.

5. Conclusions

Now, the content of provided information does not need to be always accompanied by elements of financial and managerial accounting. Strategic accounting and social responsibility have lately developed significantly, and their elements should be integrated into the main accounting system. This unification links financial and non-financial information that consider not only past events but also company's strategic future.

The new theory of accounting should start from the contingency theory and be adapted considering today's approaches to corporate governance theories, the stakeholder theory, the realist social theory, etc., as well as the normative perspective. The reliability of company financial reports is a function determined by the expectations of Stock Exchange actor, the amount of available resources, risk and performance management and tax policies. In this sense, the implementation of

active and transparent policies of corporate social responsibility is not a key element in justifying the quality of financial-accounting information.

The results of theoretical and practical studies enable us to observe that the scope of accounting has extended, and its elements cannot be associated only with assets, own equity and debts in the accounting balance. Internal and external reports provided by accounting include financial quantitative and non-financial qualitative information. Today, we observe more often that the accounting system has become a real support for communicating and implementing strategies, and also a source of information for top management in the process of long-term decision-making.

This is the main reason why we would like to underline that the accuracy of data and calculations are important for information credibility, its regular updating ensuring proper support for short-term decision-making. Also, the company size, its organisational structure and type of business calls for the use of different systems of accounting management.

There are three main limitations in this study. The study comprises companies from the main segment of the Stock Exchange without including small businesses. Data processing was done by the authors manually, without using software. The study results and its research methodology are presented as an overview as they are based on more detailed studies of corporate governance where accounting appears as a component.

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