PERSPECTIVES ABOUT THE ANTICIPATION OF CONSUMER BEHAVIOR- THE KEY ELEMENT IN SELLING INSURANCE

GOAGĂRĂ Daniel [1], BĂLUNĂ Radu Nicolae [2]

[1] *Faculty of Economic and Business Administration, University of Craiova, Romania*
[2] *Faculty of Economic and Business Administration, University of Craiova, Romania*

***Abstract**:*
Accounting information plays an important role in decision making. Early warning of financial difficulties is possible based on the information provided by the retrospective bookkeeping, but mostly on financial and accounting forecasts that can achieve any economic entity. In this paper we consider that of real interest is information provided of forecasting accounts. Obtained from reports of production or stocks held until the annual accounts, the motivation is to support different types of users in choosing best solutions. From studying mergers and acquisition transactions economic entities resulting from the increase of capital mobility and volatility in financial markets shows that their extent provides financial guidance of concentrations of companies.

***Keywords**: accounting information, mobility operations, financial statements.*

***JEL Classification**:* M41, F23.

[1] *Lecturer Ph.D, Faculty of Economic and Business Administration, University of Craiova, Craiova, Romania, daniel_goagara@yahoo.com*
[2] *Associate professor Ph.D, Faculty of Economic and Business Administration, University of Craiova, Craiova, Romania, rbaluna@yahoo.com*

1. Introduction

Financial and accounting information is undoubtedly one of the main information of any decision making process. Obtained from reports of production or stocks held until the annual accounts, the motivation is the same: to support different types of users in choosing optimal solutions. We can state that the right to information is generally an obligation arising from legal regulations and management necessity used in in promoting the interests of the entity.

Economic environment developments showed that promotion strategies and objectives of economic entities that act in order to ensure their development in increasingly severe competition is not possible without adequate information on the economic and financial situation.

Globalization of financial markets is, as described above, a phase of internationalization of companies in which economic activity is subject to abstract logical exchange of capital and information. Economic entities are the main actors of globalization in their attempt to develop their presence abroad as a result of pressure technological factors, competitors and regulations mentioned. If in 1970 the number approached 7,000 transnational companies in the early 90s he was over 35,000, and in 2007, witnessing an increase of over 125%, their number amounted to over 79,000. Economic powers of some of them even exceed that of developed European countries, and among the largest include General Electric, British Petroleum, Shell, Toyota, Ford Motor Company.

Organization of economic entities is subject to the constraint of achieving a balance between local and global and transnational companies should be able to adapt production methods and management.

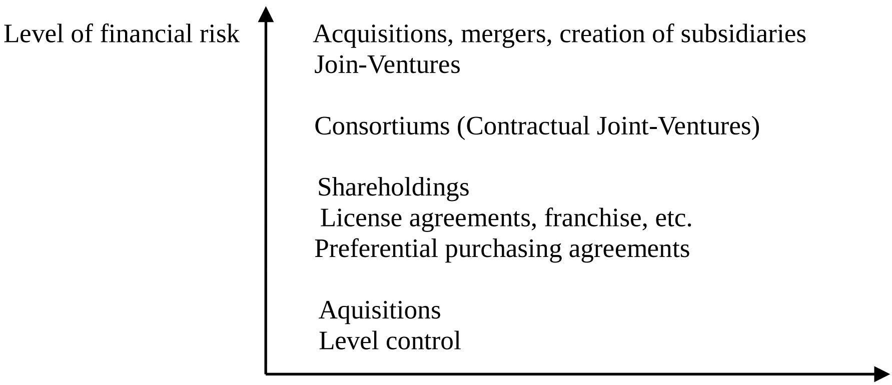
In a recent study it is noted that recent years have been marked by what financial analysts call "mergermania" or "mania of mergers and acquisitions." The author blames the reversal of the classical phenomenon of the economic entity balance sheet management. A classical balance sheet supposed that management equity and possibly debt finance the development of the company, then business develops itself through turnover. Mutation is the "swelling" of the balance sheet and debt through external growth, starting from the premise that assets purchased will bring a higher return on debt incurred for their acquisition cost, the gain resulting from this famous "leverage".

2. Accounting information in the merger operations

Given the above, theorists in the international development of the economic entity have proposed models in decision making, which retain two criteria. It is, on the one hand, the level of financial risk and, on the other hand, the level of control related to the decision (on technology, know-how, market and all other parameters considered essential in a sector time).

A significant representation of the field of decision on the extension of economic entities on the basis of two criteria, is performed by G.Naulleau, presenting the following:

Figure 1. Decision to extend the economic entity



Analyzing the graph we see that we are witnessing a proportional dependence on the level of financial risk and control. For instance, as the level of control increases the level of financial risk is higher. It comes as for mergers and acquisitions, although we are dealing with a high level of control, the financial risk is increased.

From studying mergers and acquisitions partial or total transactions of economic entities, generated by increasing capital mobility and volatility in financial markets we see that their scope gives financial guidance to concentrations of companies. Financial logic of concentration is often based on search to obtain short-term capital gains by buying and selling of business entities. Even when acquisition-merger operations are determined primarily by financial logic, it is strongly stimulated by innovation and financial facilities, especially when the market is speculative.

Decision making regarding the reorganization or bankruptcy of economic entities, we believe that such a decision should be the result of a profound analysis of the causes of insolvency, namely:

if cessation of payments to creditors cash is a temporary problem (technical insolvency status);

if it is an operational problem, related to sharp depreciation of assets or utility value in the context of production and capacity profile beneficiary of the economic entity than debts to creditors (insolvency in bankruptcy).

Depending on the difficulties in carrying out activities of economic entities, involving the occurrence or existence of insolvency, management of economic entities is forced to make decisions with economic and legal implications of lesser or greater magnitude. Table no. 1 shows a summary of the decisions that may be taken, and the legal and economic implications they generate.

Table 1. Summary of options and the economic and legal implications

Difficulties	**Steps (options)**	**Economic and legal implications**
Technical insolvency	Voluntary reorganization by: - delaying payments to creditors - making agreements with creditors	Low
Severe financial situation	Legal reorganization	Significant
Collapse	bankruptcy	Maximal

As has often been shown in practice accounting information plays an important role in the foundation of these decisions. Early warning of financial difficulties is possible based on the information provided retrospective accounts, especially on financial and accounting forecasts that can achieve any economic entity. In this case we consider that the real interest is information provided by forecasting accounts. In a dynamic economy, financial accounting economic entities can no longer confine only to describing the past. Such an orientation representation, plus annual reporting of information on the assets, the outcome and financial situation often puts into question the usefulness of accounting as a tool of management and financial analysis. Insufficient to overcome the above, the doctrine and practice of several countries accounting was developed alternative forecasting accounts. They provided quarterly provisional information on assets and liabilities, expenses and income.

In functional terms, such information shall be demarcated as a tool to prevent the difficulties that may face an economic entity and to provide direction for further work efforts. We agree with the view that any management accountant proposes an efficient management must support forecasting financial documents.

From a methodological point of view, forecasting accounts are based on the analysis of past financial accounting articulated with the budgeting system of the economic entity. Therefore, these accounts take the information background of financial accounting which they correlate and substantiate with information found in network forecasting budgets. Placed in the accounting system in Romania, forecasting accounts connect to quarterly reports, being instrumented with them. Forecasting methods and techniques used for assets and liabilities, expenses and income are various. We highlight for their effectiveness procedures used in the budgeting system for forecasting and prioritizing feasible and available asset, outstanding liabilities, expenses and income. The point of convergence of all real and monetary value flow is the cash budget.

In this context we can say that the accounting information is an important factor in decision making.

However, to obtain financial information requires completion of steps which can be summarized as follows:

systematic recording of transactions by their monetary expression ;

classification of transactions into various categories;

grouping information obtained in a usable form.

We believe that this process does not stop there. After obtaining accounting information that must be provided to those interested in and then interpreted for decision making.

Because of the diversity of information required by users or provided by economic entities, we strictly define some qualitative characteristics of financial statements. They aim understandability, relevance, reliability and comparability of the information presented.

Intelligibility is considered as an essential quality of economic information in general and in accounting in particular. This goal refers to a common understanding of these information by various categories of users. We refer of course to those categories of users who have the necessary knowledge to read and interpret accounting information provided. In this respect, we believe that providing information that can be easily understood and interpreted by policymakers allow the implementation of strategies that prints mobility economic entities, by increasing or restructuring activity.

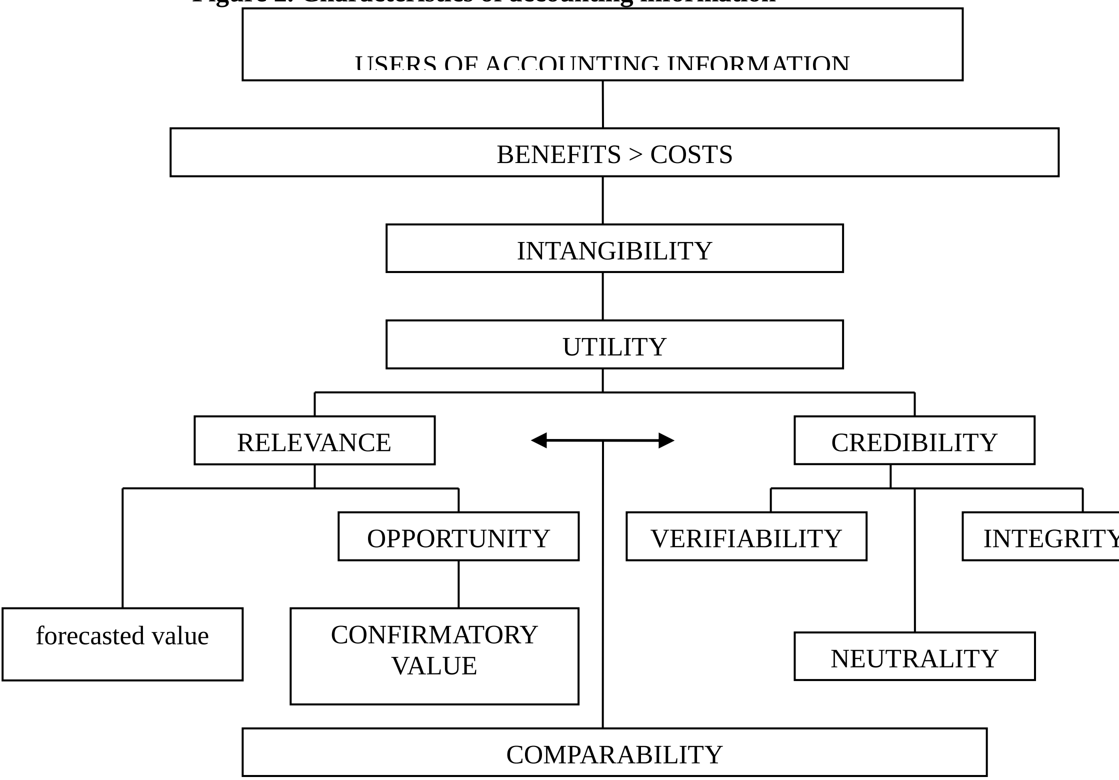
Relevance can be regarded as the characteristic of accounting information to be useful beneficiaries in adopting the best management decisions. Often perceived as an image of the past, now accounting regains ground if we consider that the relevance of the information presented by it does not imply only confirmation of past events but also predicting the activity entity. Virtually the two sides of any decision-making, analysis of the past and predict the future, complement each other. Analysis of data on production obtained in costs, according to estimates regarding the future of markets can cause a user's behavior such information. Aiming to analyze all aspects of any event, there is a danger suprainformării respectively subinformării.

This genuine materiality depends on the size of the item or of the error, given the circumstances of its omission or misstatement. Thus it should not be neglected the problem of the cost of the information, or that of their provision at the optimum time.

Credibility of information involves the lack of any significant errors and biased interests and that its users can be confident it represents the true image of the patrimony and of the economic entity achievements. Thus we are talking of an accurate representation of transactions in relation to its economic reality, the lack of any influences that might affect the neutrality, of a degree of caution in order to avoid overstatement of assets and revenues, respectively understatement of accounts payable and expenses, and finally of the completeness of the information provided. For information to reliably represent events and transactions, it is necessary that they are accounted chronologically and systematically reflect economic reality and not merely their legal form.

Comparability of information involves the possibility of performing parallel analyzes for the information of the same kind at different times or belonging to different entities. This feature becomes particularly important in mobility of economic entities and it represents a challenge for financial analysts assigned to participate in the development of such strategies. Data provided by the accounting are expressed in historical cost not adjusted to the price index. Thus, we believe that in order to ensure comparability of accounting information provided by different economic entities, especially where these are from different countries, their restatement is required to allow optimal decisions for entities involved in the process of expansion or recovery. Comparability difficulties appear when using different methods of inventory valuation (LIFO, FIFO, MIFO or CMP). In these situations, financial analysts must have the ability to eliminate these discrepancies. Also we consider that it is necessary to pay particular attention to the extraordinary events that occur in business and the activity of any economic entity that can influence its results without time effects in the future.

Figure 2. Characteristics of accounting information



It also should be observed that bias sometimes found in accounting information, particularly in assessing patrimony belonging to a group led by the interests of "privileged" users of accounting information, the impossibility of quantifying all aspects that affect an entity (it issues relating to competition, training personnel and quality management impact on performances), are all obstacles in providing accurate and complete information in order to sustain in terms of financial decision mobility economic entities. Reporting made based on cost at the expense of fair value are still in practice many economic entities, rather like the illustration of the past at the expense forecasting. Of course, we believe that any meaningful prediction finds its starting point in the past information.

Yet less favorable aspects beyond its accounting information, the result of a system of principles and rules relatively homogeneous, we can say that about ace its various user groups with a high degree of credibility in relation to other sources Information.

Beyond its informational valences and undeniable role in decision-making, accountability is often perceived as a real "choice" between information supply and variety of information requirements in each class of user. Accounting development is inextricably linked to that of society, so we can say without fail that every step in his becoming as a coherent system for assessing and highlighting the economic and financial operations, was preceded by increasingly varied requirements of the world economy . If variety is the specific information requirements of new permanent desires a greater diversification of ways of answering all these questions would bring difficulties in understanding and comparability of the information provided.

We appreciate that now more than ever, normalization, harmonization and internationalization of accounting acquire a special importance imposed by the globalization. Normalization consists in efforts of international organizations in the creation of postulates, principles and accounting standards. If postulates can be defined as "sentences whose acceptance is necessary for a demonstration," accounting principles are "conceptual elements guiding the development of accounting standards." Regarding the accounting rule, we consider that it can be perceived as strict rule followed by each economic entity. Harmonization is consensus on the application of rules imposed by normalization and internationalization seeks to eliminate obstacles generated by conceptual differences accounting systems.

In conclusion we can say that the process of normalization is necessary for determining a reference framework aiming fundamental for the following three aspects:

obtaining, by the public, a homogeneous information relating to economic entities;

exploitation by external users of accounting information, particularly regarding comparisons in time and space;

contribution to a better allocation of financial resources in the country.

Also, normalization is a starting point in analyzing performances compared not only with previous results, but also with other competitors, and genuine springboard for future action. At the same time, the normalization process provides a means of communication between that entity and the different categories of users.

There are four types of standard-approach, defined by Daley and G.E. Muller:

political approach in which predominates state intervention: the case of French and Germany are the most illustrative;

pragmatic approach whereby liberal accounting profession (see the the UK) plays a decisive role in the development and implementation of standards;

mixed approach, which rules developed by professional bodies are "validated" public intervention: the case of the United States, where "Securities Commission" (Securities and Exchange Commission), which plays a regulatory role in communicating financial information of listed companies, mandated a private body independent of the accounting profession - financial Accounting standards Committee (Financial accounting Standards Board: FASB) - to develop a set of generally accepted accounting principles;

a mixed approach, the fruit of a broader process, the rules are a compromise participation in trade unions and employers 'organizations accounting profession: it is' Tripartite Committee reflection "(Tripartite overleg) in the Netherlands, after" Committee "was replaced with" Foundation accounting "private body which comprises four employers and trade union organizations, plus representatives of the accounting profession, a significant feature of the Dutch situation is the presence of close links between the profession and academia.

Although internationally there is a tendency to normalization of accounting are voices that disagree with this. Their opinion is based primarily on historical considerations. The emergence of normalization is considered a historical accident as a result of exchange crisis of 1929-1933. Followers of this option invoke the lack of a structured set of accounting principles in the literature until the early twentieth century. Great economic crisis of the years 1929-1933, it was not just the stock market or the capital, but also financial information. Diversity of accounting practices underlying the financial statements of listed companies was seen as the main cause of the collapse of the New York stock market. The claim, however, only lack of transparency and uniformity in the presentation of financial information about listed companies as the main cause of the collapse of the stock market is not sufficient to normalize accounting followers consider this option. But we can say that the bases of accounting normalization are not only financial markets storms, but rather a delayed reaction to the economic environment requirements.

As a political argument, normalization appellants bring into question that the main goal of normalization is the concept of economic efficiency or fairness, but meeting the demand of stakeholders. "Development of accounting rules is more a product of political action than of logical and empirical findings. Why is that? Because elaboration of standards is a social decision. Rules set behavioral restrictions and they must be accepted by the affected parties. Acceptance may be forced or voluntary. In a democratic society, obtaining acceptance is a complicated process that requires a lot of work in the political field".

3. Conclusions

We consider that the accounting information acquired special meanings when adopting mobility strategies involving economic entities. Financial analysts who are part of the team drafting such a strategy have a special responsibility in the analysis and processing of accounting data. We believe it is necessary for them to examine financial documents current and previous economic entities, to make comparisons with competitors and prepare income and expenditure account and projected financial statements.

Thus, based on accounting data, adjusted to reflect the requirements of the assets to fair value are determined by the contribution to the capital of the entity acquired, the exchange rate, the value of any compensation and merger premiums for M & A transactions. Financial forecasts made by financial analysts of team charged with the development of external growth strategy underlying the adoption decision to merge or acquire another economic entity and may generate, if not based on complete and accurate data, transaction failure. Regarding the worsening economic situation of a company, the first indications can be drawn from data interpretation provided complete and accurate accounting. Thus, increasing or grace period for payment of outstanding debts to suppliers is an indication of a worsening financial situation. These indicators need to be interpreted by analyzing the evolution of the factors that generated them. As we illustrate in the following chapters, data from accounting will be the basis of determining the amounts required to repay the outstanding and ultimate liquidation of economic entities. As a rule Mobility economic entities believe that the financial estimates have no value if they are not based on financial documents complete, properly prepared as accurately reflecting the patrimonial situation of entities enter into a merger or acquisition transaction or, where appropriate in restructuring or bankruptcy.

4. References

- Cărpenaru S. D., Predoiu C., Sorin D., Piperea Gh. (2002) Societăţile comerciale. Reglementare, doctrina, jurisprudenţa, Editura All Beck.
- Drăgan C., Brabete V., Goagără D. (2007) Possibility of involvement of management and audit structure in the process of financial reporting, Analele Univ. din Oradea, Vol. 2, Seria Ştiinţe Economice, TOM 16/2007.
- Garner, J.L, Kale J.R. (2001) The Effect of Past Mispricing on the Composition of Future IPO Syndicates, Georgia State University Working Paper.
- Man M., Răvaş B. (2007) Activity Based Costing method - a mean the company’s management deals with indirect costs, Miskolc micro CAD, Universitatea din Miskolc.
- Moisuc C., Pistol L., Gurgu E. (2006) Relaţii economice internaţionale, Editura Fundaţiei România de Mâine, Bucureşti.
- Săcărin M. (2002) Grupurile de societăţi şi repere ale interpretării conturilor consolidate, Ed. Economică, Bucureşti.