

Transparency of Accounting Information in Achieving Good Corporate Governance. True View and Fair Value

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Abstract

One of the key factors affecting the efficient use of resources, the increase of shareholders confidence in the managers of the company, the success in achieving objectives and economic efficiency is the system of corporate governance by which a company is managed and controlled. We cannot talk about a culture of corporate governance without thinking of the criteria of transparency, of responsibility in ensuring the accuracy of data from financial reports. Transparency is a prerequisite of good communication between the company and the interested parties. This paper examines the concepts of true image and fair value as premises of transparency of the accounting information in order to accomplish good corporate governance.

Keywords: accounting information, transparency, true view, fair value, corporate governance

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1 QUALITATIVE CHARACTERISTICS OF ACCOUNTING INFORMATION IN THE LIGHT OF INTERNATIONAL STANDARDS

In analyzing a company's worldwide efficiency, the quality and quantity of financial and accounting information are of extreme importance, information that we use at some point in time, and that is preferably more analytic (Crecañă, 2000). The quality of accounting information was the engine of development, so that the entire knowledge is built on the framework of the existing one, thus certifying its quality every time (Todea, 2009). This is not just a support for the managers' decisions, but it can highlight the relationships between the departments of a company, too, namely the levels of collaboration and cooperation in order to achieve the fundamental objective - creating value for shareholders and for the other stakeholders. We must not lose sight of the following elements: the information is not a built object, but a symbol deliberately created by the socioeconomic actors; information creates representations and induces behaviors according to complex mechanisms; alongside formalized sciences, the economic knowledge plays a very important role (Greiner, 2007).

The product provided by the accounting is the information and, like any other product, in order to be accepted by the clients, it has to meet some qualitative standards to please the needs of beneficiaries. As stated by the IASB General Framework for the elaboration and presentation of financial situations, the four main qualitative characteristics of the information are: intelligibility, relevance, reliability and comparability.

Intelligibility is the main characteristic of accounting information. An essential quality of the information provided by financial statements is that that the information must be easily understood by its users (General Framework of the IASB, paragraph 25). In this regard, it is assumed that users have reasonable knowledge of business and economic-financial activities, of accounting notions and they are also willing to thoroughly investigate the information received. For this purpose, they must maintain a balance between the accounting knowledge, the one regarding business and financial, economic activities which should be sufficient, on the one hand, and the users' interest to study upon the information reflected by financial statements, on the other hand. However, the information on some complex issues, which should be included in the financial statements due to their relevance in economic decisions making, should not be excluded just because the information might be too difficult to understand by some users.

The relevance of information is affected by its nature and by the threshold of significance. In some cases, the nature of information is sufficient, by itself, to determine its relevance. In other cases, both the nature and the threshold of significance are important. It is considered that the information is significant if its omission or its erroneous presentation could influence the economic decisions of the users, made on the basis of annual financial statements. In analyzing the significance of an element, they take into consideration the size and/or the nature of omission or of the erroneous declaration judged in the given context. The relevance of accounting information is defined in relation to three other qualities: the opportunity, the retrospective character and the predictive value. The opportunity involves providing the accounting information in due time. The retrospective character of the accounting information is proved by the permissibility of past decisions evaluation. The predictive value of the accounting information refers to its ability to improve forecasts based on the results of the decisions made in the past.

The credibility of information is given by: fidelity in presentation; the prevalence of the economic on the legal; completeness (no part of the economic activity should escape from being reflected into accounting); neutrality and prudence (Epstein & Jermakowic, 2010). These are subject to some constraints cost/benefit and, in practice there will always be compensation between these features. In order for the information to be relevant and reliable, the following are required: the information is appropriate for decision making by the users; the benefits from the information will surpass its cost; a balance will be established between the qualitative features of the financial information. Under some circumstances, there may appear a certain imbalance between relevance and reliability. Thus, in case of an exaggerated delay in disseminating the financial or accounting information, it may lose its relevance. The management of the company may find themselves in the situation of choosing between disseminating the information in due time, but with certain relativity, or disseminating reliable information, but with a certain delay. The dissemination of opportune information often requires reporting the significant aspects of a transaction or of an event, before they were known as certainty, which affects credibility. On the other hand, if the reporting of financial or accounting information is delayed, until all aspects have been known, there is a possibility that credibility could not be challenged. However, usefulness is reduced for the users who meantime have had to make decisions. Ensuring a balance between relevance and credibility requires a permanent monitoring of the overall objective: adequately

meeting with the users' need in the process of making economic decisions (Toma, 2010).

Users should compare the financial statements of a company, both in time and space. By comparing the financial information of a company in time, users can identify the evolution of the financial position, changes of financial position and performances of the company. The comparability of the information in space offers the users the possibility to analyze and decide by comparing the financial statements of different companies. Thus, the measurement and presentation of the financial effect of the same transactions and events must be conducted in a consistent manner within the company and over time for the same company, but also in a consistent manner for different companies.

2 THE QUALITATIVE CHARACTERISTIC OF THE ACCOUNTING INFORMATION IN THE LIGHT OF CORPORATE GOVERNANCE EXIGENCES

At the level of corporate governance, accounting is the most important element of the information system because: most of the decisions at micro economic level are made based on the information provided by the accounting; it enables managers, shareholders and stakeholders to have an image of the entire activity; it connects other components of the information system of the company by integrating the information regarding these activities into a common basis. Corporate governance gives great importance to the quantity and quality of the financial-accounting information that the company uses at a certain point in time, preferably the information that is more and more analytic. It is obvious that the managers, in order to achieve a superior capitalization of the entire economic activity within the company they manage, have to maximize the economic function of the profit, to minimize costs and to create value for shareholders. These desiderata can only be achieved by using some information of economic quality.

Questions arise constantly: which are the expectations of managers, shareholders and stakeholders from the financial-accounting information? This information should enable findings: are things going right or wrong? It should draw attention to: which problems should they pay attention to so that the activity should carry out optimally? The information should help solving problems: Out of alternative solutions, which is the most viable?

Companies must be convinced that the disclosure of information is an advantage, not a burden. In this context, the lack of concerted request from the current or potential investors, is the main reason why the companies with state or

private capital show no interest in publishing the information. With regards to listed companies, if there is no active primary or secondary market, there will be no incentive in making the information available.

Corporate governance has as main objective the transparency of share ownership. The existence of a transparent structure of ownership is necessary for shareholders so that one could evaluate to what extent they can influence the decision-making process and also for the fight against unfair transactions, especially against transactions between related parties or between those based on personal information, thereby protecting market integrity. In order to ensure equal access to information and, consequently, an equitable treatment for shareholders, all shareholders should simultaneously have access to the same information. Special accent should be put on the modern methods of information communication, which are effective methods to ensure the requirements and targets regarding information disclosure. The companies and all regulation bodies which receive information in accordance with the regulations in force have to ensure that the information is transmitted directly to the shareholders and to the public, in a fair and timely manner. The usual means of communication used by companies have to be clearly defined and agreed upon by those who finance the company, namely by the shareholders. It is important for the companies that seek to attract foreign capital to provide additional non-financial information to the market, which would help improve the image of corporate governance and would increase its market value. The decisive role lies within the Board of Directors who has to decide which information is relevant so that a domestic or foreign investor should objectively evaluate the financial-economic activity and the possible results in the near future. The corporate governance, as a complex system of management and control of the financial-economic activity of the company, is seen as an information system which collects raw information, processes it through the accounting department, and presents it to the decision making parties - managers and shareholders and other groups of interest. Still, the main feature of the financial-accounting information lies in obtaining the knowledge and skills needed to participate in some important economic decisions making at the company level.

3 TRANSPARENCY AND RESPONSIBILITY IN DRAFTING FINANCIAL STATEMENTS

Accounting aims at permanently adapting the supply to the existing demand and it actually occupies the central place in the information system of the company. Information is a means of ensuring financial stability. In the ensemble of a system with exhaustible resources, the continuous regenerative information tends to become the most important resource.

As remarked by some authors (Heem, 2004), the financial statements, in general, and the IFRS ones, in particular, are built to enable a better financial communication oriented, mainly, to the shareholders. These situations correspond to a greater extent to the requirements of the end-users and, especially, to the financial analysts. The interests of the users of accounting information are different, which makes some of them, such as the managers, to intervene in the application of politics and accounting methods so that they get advantaged. Then, the position held by some of the users confers them a privileged status in relation to information.

Thus, the literature speaks about several ways a transparency within a company: the politics transparency (objective bases), economic transparency (data and models used), procedural transparency (decisions, votes), transparency regarding the results of the politics used and operational transparency. The lack of transparency of the company reduces the sensitivity of the groups of interest to possible sudden changes of financial-economic politics. The increase of transparency is associated in part with the efforts of accountability in achieving the primary objective of the entities and namely creating value for shareholders and the others stakeholders. The transparency of the strategy used and of decisions can make the groups of interest understand the current stage of the financial-economic policy of the entity. This is a fundamental element in the good functioning of a system of corporate governance, and it can be achieved by means of information dissemination. The accounting information is decisive in ensuring both the economic transparency and the operational and political ones.

The recent corporate scandals and financial failures which led to the global crisis that spread all over the world have been caused mainly by the deficiencies of the control system and of the audit function. On this background, the inappropriate presentation of information negatively affected the overall situation. Consequently, information transparency has become a critical element for the optimal functioning of an efficient capital market and also an important characteristic of a solid mechanism of corporate governance. Providing useful and transparent information regarding the participants on the market and the transactions carried out by them is

one of the most important prerequisite conditions for the proper functioning of a market economy and for good corporate governance. We cannot discuss about a culture of corporate governance without thinking of the transparency, of the responsibility criteria in ensuring the accuracy of data from the financial reports. The accounting profession continues to play an important role in the corporate governance culture, having responsibilities towards the public interest and towards a balanced and sustainable economic development. Every professional account must understand their role in making sure that the corporate governance is effective and efficient. The account expert or the professional account is also the basis of best practices in the context of proper corporate governance within a company, as the accounting profession has to take responsibility in promoting good practices in the service of corporate governance (Iorgulescu & Marcu, 2015; Ionescu, 2015).

Transparency is a condition of communication between the company and the co-interested groups. More than transparency in communication, credibility involves an agreement between the statements and the shares of the company. Transparency allows investors, creditors and market participants to be able to evaluate the financial position of an entity. In addition, in order to help investors make better decisions, transparency increases trust in capital markets. It allows the Board of Directors of the company to evaluate the efficiency and effectiveness in resource management and to take prompt and corrective measures, if necessary, as a response to the deterioration of financial situation.

Both the quantity and the quality of the information available to the market participants and to the audience are essential. Quality is of high priority. Improving the quality of the information required by the market participants and by the regulators is closely related to improving the companies' own information system, so as to gain a reputation for providing good information in terms of quality.

According to the degree of transparency, the information provided by the accountancy is grouped into two large categories: totally transparent information and partially transparent information. The totally transparent information is the one that refers to the position and financial performance. This is subject to the financial accounting, which is considered the external face of the company, the one that delivers information on property management, necessary to the internal decision makers of the company, as well as the information on financial results necessary to external users, including the State. It is obtained by strict rules set out by the Ministry of Public Finance; therefore, it has a standardized character, being published so that all interested persons should be correctly informed. The less transparent information

is the one that refers to the costs calculation, to the budget structure of the company, to the knowledge of internal performances, etc. It is subject to management accounting, considered as the internal face of the company. It does not have a standardized character and it isn't disclosed to the public.

4 TRUE AND FAIR VALUE, PREMISES OF THE ACCOUNTING INFORMATION TRANSPARENCY

At the moment, the main concern of the two international bodies of accounting regulation, IASB and FASB, is the creation of a modern accounting system that accurately and quickly informs the users on the accounting and financial information, being at the same time an active concept since it renders an objective view of the company as a whole. Actually, we consider that image is mostly desired, especially in Romanian economy, a genuine and objective image that provides sincere information, based on which the decision making can lead to adopting strategies in line with the economic truth.

Both true view/image and fair value are concepts perceived by the supporters of the Anglo-Saxon model of accounting as premises of the information transparency and, indirectly, of good corporate governance. Many authors make a connection between transparency and true view which have to deliver to the financial statements the necessary safety and presence.

The concept of fair view is reflected in the Anglo-Saxon doctrine and it has been formulated since 1974 in section 149 of The Companies Law in the phrase "true and fair view", true and correct (fair) picture where it is stated that each sheet must render a true and correct (fair) picture of the financial and patrimonial situation of the company at the end of the exercise and each account of results has to render a true and correct (fair) image of the company's profit or loss in the financial exercise.

An Anglo-Saxon concept, later adopted by the IV-th Directive of the European Economic Community, "fair view" is a concept to be achieved and not a principle which aims at the accounting truth (Ristea, 1998). One of the few definitions belongs to G.A. Lee (1981), who stated in 1982: Today, the fair view has become a term of art. It requires the presentation of accounts prepared in accordance with the general accepted accounting principles, the use of figures as accurate as possible, the achievement of estimations as reasonable as possible, and their arrangement in such a way that they can provide, with all the limits of current accounting practices, the most objective possible image, free of errors, distortions, manipulations or significant omissions. In other words, both the letter and the spirit

of the law must be taken into consideration. For the accounting from other European countries, this concept represents an objective of financial statements, while for the Anglo-Saxon accounting; it is a fundamental principle towards which all the other principles converge.

According to the International Accounting Standards and to the regulations of the IV-th European Directive, the objective of a company's accounting is that to provide synthesis papers that offer a fair view of the patrimony, of the financial statements and of the result, so that it delivers useful information to the assembly of users when they make economic decisions. The international body of accounting normalization, IASC, has a formulation quite close to the financial accounting objective, joining the fair view to the fair presentation of financial statements, but which does not refer to the concept of fair view.

In paragraph No. 46 from the General Code of the IASC it is stipulated: The financial statements are described as presenting a fair image of the financial position, of the performance and of the changes of the financial position of a company. Although the general framework does not directly approach such concepts, the implementation of the main qualitative characteristics and of the adequate standards of accounting has, normally, as a result, the preparation of financial statements that generally reflect a fair view of the company. This concept is differently interpreted by the French doctrine (*l'image fidele*) and the Anglo-Saxon doctrine. The French doctrine states that the principle of fair view would be useful in three essential areas, namely: it would force the company to present in the appendix the information useful to the balanced sheet and to the profit and loss account; it would allow the company to make a rational choice between several applicable rules; it would be the last resort should there be no rules regarding a problem or another. In contrast, under the projector of the Anglo-Saxon meaning, the fair view has three essential features: it translates an idea of life and judgment; it requires the obligation of correct information of the users; it is a landmark of communication (Feleagă N., Ionașcu I., 1998).

The Romanian researchers opine for the implementation of the Anglo-Saxon concept which renders another meaning to the fair view, enabling to obtain some annual accounts in accordance with reality, getting a real and loyal accounting information, based on honesty and faithfulness. Addressing the fair view as an objective to be accomplished, the accounting truth perceived as a result of having complied with the accounting principles or conventions, has to aim at the possibility

that the synthesis papers should reflect true, correct information on the patrimony, on the financial statements and on the outcome of a company.

The concept of fair view is closely related to that of true value, both concepts being in continuous motion, influencing each other. The American origin of this notion is explained by the fact that the financial-future instruments emerged in the U.S.A where they witnessed a quick development. Although references to the concept of true value existed since 1984 when F.A.S 80 "Accounting for futures contract" was issued, the American standard which established the evaluation to the true value as a new accounting convention of evaluation of the majority of financial instruments was F.A.S 133 "Accounting for Derivative Instruments and Hedging Activities", which appeared in 1998. The American standardization released the F.A.S 157 "Fair Value Measurements" standard, which sets out a conceptual framework for carrying out the evaluations required by the existing norms and it also details the explanations.

The fair value represented the concept which confused both the evaluation and the financial analysis, the one that decodes and gives meaning to numbers, to the accounting language. Despite the waves created by the true value, we state that, since the evaluation to the true value aims at a large number of financial/non-financial assets and liabilities, it can represent the basis of a new model of accounting representation of the company, by means of which the uncertain financial conditions will be followed, conditions which affect the forecast of financial flows and the opportunities of short term and long term investments.

The International Accounting Standards/The International Standards of Financial Reporting retain the following definition of true/fair value: the amount for which an asset could be changed freely between informed parties, in a transaction in which the price is objectively determined (IAS 16-6, IAS 21-7, IAS 32-5, IAS 38-7, IAS 39-8, IAS 40-4, IAS 41-8, IAS 148-7). The alternative valuation models, provided by IAS 40 "Property investments" and by IAS 39 "Financial instruments: recognition and measurement", based on fair value, raise the problem of placing the true value on the same conceptual level with the other valuation bases stipulated in the General framework. Also, the fair value measurement is stipulated in IAS 39 "Financial instruments: recognition and measurement", which states that the best evidence of fair value is represented by the prices quoted in an active market.

In some fields of activity, the absence of an active market is obvious, and the fair value cannot be determined by using valuation and estimation techniques based on the management estimations related to the future flows of cash and to actualization rates adjusted depending on the risk.

An opinion in this respect formulates M. Ristea (1998), characterizing the fair value as follows: a hope, if not a panacea to overcome the limitations of other valuation bases used in preparing the financial statements. Specialists (Niculescu, 2003) consider that at the origin of introducing the concept of fair value by the international accounting norms there lies the pressure exerted by the objective of creating value for shareholders. Researchers from France (Casta & Colasse, 2001) believe that the fair value does not designate an impartial value or a more fair one, but it includes to the idea of caution. The term “fair value” from English has not been translated into “valeur juste” in French, but into “juste valeur”.

Resorting to fair value as a criterion of evaluation is justified by the theory of efficient markets, which stipulate that, at a certain moment, the course of a share reflects all available information that led to its formation, or that the share price does not only show its value, but also its shareholders’ expectations. The efficient market theory, also known under the name of the theory of random motion or the Brownian movement or the Wiener process, being formulated in 1900 by the French mathematician Louis Bachelier, became controversial especially after some abnormalities of the capital market had been detected.

The fair value represents one of the evaluation forms that is increasingly felt both in the accounting language and in the accounting norms/rules. Incorporating this concept into the accounting rules in Romania, contributes to the implementation of an accounting which assumes the role of a bridge to the future. In the Romanian accounting environment, there was the option to combine the evaluation system based on historical cost with the system based on fair value. This concept was created in order to help replacing the shortcomings of evaluating the rival of fair value, and that is the historical cost by adjusting the acquisition costs of assets with their value on the market, which was achieved through a permanent reevaluation of balance sheet items (Ionaşcu I., 2003).

The accounting of fair value is the prevalent accounting system of the 21st century, representing an approach to accounting reporting in which the companies are required to or allowed to measure or report, on a progressive basis, certain assets and liabilities at the estimated price to be received for the sale of assets or to be paid for the release of liabilities. Moreover, the financial globalization and the constraints that it imposes on national normalization indirectly increase the importance of fair value and it provides extra complexity (Deaconu, 2009). We believe that, in our country, the extension of this evaluation concept into practice is not easy to be achieved because there are plenty of rules which play an accent on the legal

approaches in accounting in the detriment of the economic ones. And we must not forget the strong interference of the fiscal right in the accounting area.

The fair value represents a step forward in the history of accounting and it can bring substantial benefits to the financial reporting and, implicitly, to the users of accounting and financial information. This basis of evaluation/assessment, even if it is not expressly stipulated in the General framework, it is often used by the IFRS as a basis for the assessment of many assets and debts. The fair value is defined by the IASB as follows: “the amount for which an asset could be transacted or a debt discounted between interested and informed stakeholders/parties, during a transaction carried out objectively”. It is, therefore, about an appraisal, not a finding as in the case of the market value. The fair value includes the market value and tends to cover all values arising from the estimates based on economic calculation.

These expressions, the market value and fair value, as they usually appear in the international accounting standards, are generally compatible, though they are not entirely equivalent. The fair value is generally used for the financial reporting of both the market value and the values which are not based on market development. When the market value of an asset can be determined, this value will equal the fair value.

The fair value represents one of the reassessment forms which is increasingly felt both in the accounting language, and in the accounting norms. Incorporating the concept of fair value into the accounting norms contributes to the implementation of an accounting which takes the role of a bridge to the future. Generally, in the accounting environment, both national and international, there was the option of combining the assessment system based on historical cost with the system based on fair value. We consider that, the extension of fair value into practice is not easy to be achieved because there are not few rules which focus on the legal approaches in accounting in the detriment of the economic ones. Moving from an accounting based on historical costs to one based on fair value has been catalogued as a conceptual revolution in the accounting. The objective of the accounting based on fair value is to reflect market values in financial statements and its amendments to the consolidated results obtained by the company. This role has already raised many practical problems because the estimate of the fair value remains a subjective process, especially when this has to be done in the lack of a market, which involves many professional judgments and the possibility of manipulation by the one that estimates. To our country, the fair value, as well as all other changes of the accounting system starting with 2001, represents a novelty. For the first time, the fair value was mentioned in the Romanian accounting regulations, harmonized with the international standards in 2001, and later in 2002, when they chose to link the

Romanian accounting to the international accounting norms and, secondary, to the European ones. The fair value allows an assessment of the financial position as close to reality as possible (Grabara & Bunaciu, 2015; Jivan, 2016). The Romanian accounting regulations applied after 2009 accepted the valuation model at fair value only in certain situations, namely: optionally, for the purpose of reassessment of tangible assets, thus reflecting the results of the re-evaluation operation within individual financial statements, the evaluation at fair value is allowed only in the case of consolidated financial statements. In practice, the companies in Romania use the fair value to reflect the goods obtained free of charge or for those that came as a plus at inventory.

The use of fair value can significantly contribute to the improvement of accounting information released from financial statements thus increasing their usefulness for their users, but it can also be extremely subjective allowing the manipulation by those who estimate it and the emergence of distortions in financial statements, when the use of fair value is not accompanied by an adequate presentation of the information on it in the explanatory notes, it proves to be much more dangerous than the historical costs.

In the communication process of the company, there is the essential difference between fidelity and sincerity, honesty representing the care to prepare a piece of information as close to reality as possible, with no concern to the way it is understood, while fidelity involves complementary care of a good reception of the message by third parties. Resorting to fair value as a criterion of valuation is justified by the faith in the efficiency of markets.

However, the application of fair value brings about a lot of criticism, too, namely:

- The fair value leads to a high volatility of the result because the valuation at fair value involves the inclusion of some virtual elements into the result, elements generated by market evolution and which are only potential gains or losses;
- The fair value brings about an overvaluation of the values presented in financial statements;
- The fair value disregards the principle of continuity as long as it requires setting the value at current moment (and not during the normal cycle of activity);
- The fair value would require the banks to reduce the value of assets within the balance sheet at lower values as the ones reflected by the market;
- The fair value is meaningless in liquid markets;

- Estimating the fair value is the prerogative of an external estimator of the company, in the worst case of an internal estimator, a person different from the professional accountant.

In our country, the fair value has a restricted use, limited by the conditions of the existing economic and legal environment, characterized by the priority of some regulations which favor legal and fiscal aspects in the detriment of the economic ones; the mentality of the accountant who does not accept the new concept with all its implications; insufficient development of the capital market which is the main source of obtaining information for the fair value; ignorance of current standards, etc. (Deaconu, 2003).

At first, one should notice the attention granted to the concept of fair value, both by professionals in the accounting-financial area and by the bodies of accounting normalization. Although the area of applicability of the accounting model based on fair value has expanded, the area of great interest is that of financial instruments. The development of financial markets and the complexity of the financial instruments traded have imposed the use of this alternative model of valuation. Nevertheless, the debate on fair value confronts two categories of actors: on the one hand, the managers of companies who wish a much better estimate of the performances achieved, and, on the other hand, the creditors who wish, firstly, the estimate of the risks they assume, of the immediate solvency of the company in the case of total liquidation of its assets.

The fair value is supported especially by jurists who take into account the real bankruptcy of the company, situation when all assets have a certain value, for that moment, for that market where they operate and, sometimes, for a certain use. Jurists try to defend the interests of creditors and of the public in the event of liquidation of the business. They are interested only to a little extent in what the managers of state or private capital seek (Voinea, 2015; Vladutescu, Budica, Dumitru & Stanescu, 2015). The traditional model of valuation, that of historical costs, doubled by the principle of prudence, it is nowadays severely criticized for its approximate estimations, thus, subjective, especially when it comes to assets impairments. Criticism is also for the dependence of estimates on the intentions influenced upon by the different levels of interest of those responsible for the accounts. The authors of critics argue in counterweight the virtues of fair value which consist of:

- They lead to more objectivity, to more neutrality, since such an accounting model of valuation would be protected from the influences and current opportunism of a responsible of accounts;

- The application of fair value in accounting seems to allow the elaboration of financial statements which offer third parties a much better information regarding current and future performances of the company, therefore the possibility of substantiating their decisions;
- The financial statements in fair value facilitate a better control of the managers, guiding the decisions more efficiently towards the investors' interests;
- The assessment of the resources of the company at fair value, by determining the control indicators regarding managers, based on their shareholder value, just as the economic added value (EVA) or the market added value (MAV).

We ask ourselves the following question: can the valuation at fair value contribute to the creation of value for shareholders? Can it dominate the valuation at historical cost? We state that the assessment at fair value cannot create value for shareholders and for other stakeholders if only in accordance with the principle of historical cost.

As an exception to the principle of historical cost, the Member States of the E.U can allow or impose the valuation of fixed assets at fair value. Member States may allow or impose companies to assess the financial instruments, including derivative financial instruments, to fair value or to evaluate certain categories of assets, others than the financial instruments at fair value. The option of Member States to allow or require the valuation of fair value can be used at the level of individual or consolidated statements. Member States may permit or impose the recognition, valuation and presentation of financial instruments in accordance with international standards of accounting. The main concern of the European Union on the concept of fair value consists in the efforts made in order to reach an international agreement with regards to accounting standards which should not disturb companies by intensifying the economic trends, guaranteeing at the same time a clear view on their finances. Thus, they will ensure that the accounting standards, whose main objective is to provide useful information to all users in decision-making, better reflects the core values of the company. This objective is connected to other strategic objectives, including prudential regulation and financial stability.

5 CONCLUSIONS

Ensuring a greater degree of transparency in financial communication represents an important objective pursued by international accounting and financial standards. In the financial-economic activity of the company one can identify possible associations between the characteristics of ownership and the level of disclosure of information on corporate governance, starting from the general meaning according to which transparency and quality of the system of corporate governance are two concepts that inter-relate, a high level of transparency of the financial and accounting information denotes the existence of a practice of high quality corporate governance. A good financial communication can highlight the stability of a business, sales growth, thus attracting the confidence of the public. Usually, the lack of transparency of a company regarding its financial results determines suspicion from its users, bringing shadow over its image. The relationships with the investors, bankers, with the analysts and the consultants in investments, with the financial media are extremely important to achieve the objectives related to the financial image and suppose a specialized communication. The financial communication refers not only to specialized financial environment, but also to the shareholders of the company. The loyalty of shareholders is as important as that of the clients.

The role of financial communication is that to protect and also to enhance the company's value assets. It actually represents an investment in the value of the company, in informing the shareholders, the current or potential investors, as well as an opportunity to identify the perceptions of the target audience. The phenomenon of financial communication can be defined as the possibility to provide accounting and financial information by means of financial statements and analysis, so as the external environment of the company should be pleased.

Ensuring a greater degree of transparency of the accounting information can also be achieved by forming an Audit Committee of the company. This committee represents a factor in improving the quality of accounting information both within the company and in the relationships with third parties. The principles that lie at the basis of the activity of this committee aim at: cultivating the control climate, in the sense of cultivating the personnel on the necessity and usefulness of control; identifying specific risks; risk evaluating and monitoring; identifying possible and necessary forms of control, updating their content and quality; stimulating the processes which ensure information and communication inside and outside the company; supervising the preparation of financial reports; monitoring the activity and resources of the internal control function and the relationship of the company

with the financial auditor; examining the interim and annual financial information, as well as other information published by the entity in order to ensure their balance and transparency.

Ensuring a greater degree of transparency of accounting information can also be achieved through: transparency in the operations of the entity, in the audit and accounting procedures as well as in all procurement operations, in all business relationships in general, thus attacking the methods based on personal relationships, corruption that lead to the depletion of the companies, eliminate the ability of competition and chase away investors; information on the ownership structure for the listed companies or the ones publicly held must be accessible to all shareholders, as well as to the general public; regulation with regards the continuous presentation of information may exempt companies from transmitting specific information; avoiding preferential information; stock exchanges should create a policy on the continuous presentation of information.

The primary objective of good corporate governance refers to promoting transparency, certainty and responsibility at the level of the company. Transparency is a condition of communication between the company and the co-interested parties. Transparency allows investors, creditors and market participants to be able to evaluate the financial situation of a company. In addition, in order to help investors make better decisions, transparency increases the confidence in capital markets. More than that, transparency is important to corporate governance, since it allows the Board of Directors to evaluate the effectiveness of management and to take prompt corrective measures, if necessary, as a response to the deterioration of financial situation. Providing transparent and useful information regarding the market participants and the transactions carried out by this is one of the most important preliminary conditions through which a market discipline can be imposed.

Today there is an increasing requirement for transparency in business. Investors, as well as other groups affected by the assets of a company, ask for a higher access to information regarding companies' management. They need information regarding not only the financial and economic performances, but the ethical, social and environmental performances of firms, too. Interested groups, employees, creditors, business partners, customers and local communities and, to a larger extent, government agencies require managers to publish reports on social, environmental and sustainable development politics of the companies. So, we can say that the

business world was born and the concept of triple reporting was imposed: the economic, social and environmental one.

In the politics of corporate responsibility, transparency means: to define an ethical code, the principles which guide the company in its actions or a set of ethical standards to establish the rights and obligations that a company has towards the co-interested groups; to publish and promote the ethical code among its employees and business partners; to develop social periodic reports which should reflect the extent to which the company meets with the obligations it assumes; to publish the standards of reporting used, as well as the auditor who developed the reports (Batâr, 2004; Grozea, 2011); to assess the social investment programs, their impact on target social groups; to publish the programs of social investment, as well as the progress made every year.

In democratic states, transparency is considered a demand that must be met by any authority or public institution. Transparency is seen as an elementary requirement of democracy, a tool to interfere with the governance process and supervise the actions of the authority, a way to prevent corruption or abuses. Economists also offer a pragmatic argument for transparency, considering that the chances to make rational decisions are even higher as public policies are more transparent.

Transparency is part of the five principles available to all types of governance: global, European, national, regional and local. The five principles are the following: transparency (openness); responsibility; participation; effectiveness; coherence. As a principle, transparency claims the necessity to adopt an open, sincere way, by all institutions, in the activity that they carry out. At general level, institutional investors claim a higher transparency regarding the activity of the company (for example, by publishing monthly/ quarterly/ half-yearly/ annual results, the remuneration of managers and the presentation of synthesis documents). In particular, they exert pressure so as this kind of documents meet with the international accounting standards.

A better information or transparency explains the way accounting and financial information is obtained and allow their criticism. Transparency refers to the principle of creating an environment where the information regarding the existing conditions, decisions and actions are accessible, visible and intelligible for all market participants. Transparency is necessary so as responsibility be installed among the major groups of market participants: debtors and creditors, issuers and investors, national authorities, international financial institutions. Transparency, namely the open, sincere feature of the company's politics: improves the predictable character

and, thus, the efficiency of decisions; it forces institutions to face the reality of a situation; it determines officials to be more responsible, to justify decisions and actions; it is a means to encourage responsibility, internal discipline and a better governance. We believe that transparency is crucial to the credibility of a company. This has to do with the professional side of the employees. It requires an entity to communicate openly what may truly interest the internal and external users, which may affect the actions, trust or evolution. A company has to know to whom and what to communicate, and when it does so, to make sure the communication is based on truth.

In our opinion, transparency is a prerequisite for an efficient communication between the company and the co-interested groups. Transparency has to be directed to the main ambassadors of the brand, to the employees. Transparency also has to be directed to consumers. They are entitled to be informed upon the product/service they wish for completely, without any reservations. If not, in the absence of information, the consumer/audience fills the gap with imagination. As all who lived under communism know that the lack of information does not deflate, but amplifies the phenomenon by rumors and speculations. When companies stop treating transparency as an obligation or as something fearful, they will be able to use it to their advantage and they will enjoy public trust, success and sustainability.

The current practices of a good governance in the European Union can lead to improving the transparency of accounting and financial information in the activity of the listed and unlisted companies in our country. These practices aim at: adapting the codes of ethics; disseminating information (financial, social, etc); building a legal and regulatory framework under safety conditions for investors; developing a new code of corporate governance; building new indicators to measure performance (social, economic, environmental aspects etc.); bench-marking; publishing the black lists of the companies.

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