THE IMPACT OF ACCOUNTING INFORMATION IN BUSINESS DECISION-MAKING IN COMMERCIAL COMPANIES IN THE REPUBLIC OF KOSOVA

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***Abstract**:* Commercial companies are using a various internal and external informational resources in business decision-making. The accounting information system represents the most important internal source of information in order to make adequate business decisions. The accounting system aims to provide primary source information for the business management of companies. Accounting figures relate to the adequate position of financial reports in companies. By placing them in mutual reports such as "Ratio analysis", we manage to obtain relevant information dedicated to the economic and financial situation and the performance of the company. Accounting information enables different users to make decisions based on different source data in order to create mutual debit-credit ratios.

This paper aims to analyse the situation of companies (micro, small and medium) in the Republic of Kosovo in terms of the use of accounting information and "Ratio analysis" in the business decision-making process. Being aware that accounting information in annual accounts between companies may have a low degree of "reliability". However, it remains the main source of business decision-making analysis.

For the purpose of this study, the data sources will be used from the accounts of a considerable sample of the trade companies in the Republic of Kosovo, as well as a questionnaire dedicated to this topic. Ratio analysis methods will be used as well as statistical methods in terms of creating and presenting research findings.

Key word: accounting information, commercial companies, rational analysis, financial reporting, decision making.

1. Introduction

In economic globalization, commercial companies face increasing pressure of the competition, so to enable sustainable growth in a competitive market it is very vital to have a sincere and realistic

information from the financial point of view, information which is mainly provided from the accounting information systems. Therefore, in order to make the right decisions for the commercial companies, it is necessary that the information presented by this unit to be as complete and accurate as possible. This information provides data about the financial position of the company, its performance and changes in its financial condition.

Information is the backbone of everything in the decision-making process in a commercial company. But the information must be composed of data that is well processed, accurate, timely and that is part of an accounting system that operates within the company. This accounting system includes the identification, recording, analysis, summary and communication of financial and economic information to its users for decision-making purposes.

According to that, accounting through the process of identifying, recording, analysing and interpreting financial data derived from multiple activities in commercial companies, enables the processing of that entire process into information valuable to decision makers.

Commercial companies use different information in their business decisions, both internal and external. But the accounting information system is the most important internal source of information in order to make adequate business decisions. Therefore, the role of accounting information is essential in the management of the company as well as in the implementation of an internal control system.

The accounting system is to provide primary source information for the business management of commercial companies. This information must be accurate and timely in order to be used in the decision-making process within the company.

It is very important to provide information in a timely manner, which means that information is available in a timely manner to decision makers, so that it can influence their decisions. Nowadays, the advancement of information technology has enabled the management of commercial companies to monitor at all times all types of financial transactions, including key items related to purchases, financing, sales, payables, receivables, etc... Also, through the internal accounting system used, various statistical reports can be generated in certain periods with relevant data that can be used in the decision-making process.

Therefore, this study is particularly important for decision makers within the commercial companies and people who are faced with decisions that may be vital to the business of the organization. The financial statements of companies provide important information especially if they are processed in the financial ratio.
The purpose of the study is to answer the following research questions:

- ✓ Do commercial companies (micro, small and medium) in the Republic of Kosovo rely on accounting information in the business decision-making process?

- ✓ Does the proper use of accounting information help the commercial companies make an efficient and effective decision?
- ✓ Does the use of accounting information have a real impact on decision making?
- ✓ Does accounting information affect positively or negatively on commercial company's activities?

2. Literature review

Accounting and financial information are among the most important information and widely used in managerial decisions (Royaee, Salehi & Aseman, 2012).

Whenever managers are faced with a decision, the first thing they do is control the accounting information, and for the decision to be as valuable as possible, the accounting information presented in the financial statements of the company must be of the highest quality. Quality of accounting information is the degree to which accounting information accurately represents the current operating performance of the company, is used to predict the future and helps to assess the value of the company (Dechow & Schrand, 2004).

Accounting, which is defined as the language of business, is the basic tool for identifying, recording, and evaluating economic and financial events and transactions that occur throughout the commercial companies.

Accounting is sometimes referred to as a tool to achieve a goal, with its completion, can help and influence the particular decision, having accounting information available (Arnold & Hope, 1990).

Accounting is a tool used by companies to record, report, evaluate economic events and transactions that normally affect its operations (Paulson, 2006).

The accounting data are related to adequate positions of financial reports in commercial companies that by placing them in mutual reports as "Ratio analysis" we manage to obtain relevant information dedicated to the economic and financial situation, financial performance and cash flow of the company. In this context, accounting information enables various users, especially managers to make decisions based on source data in terms of creating mutual debt-credit ratios.

But what is also very important, it should always be aimed at the relevant information, at the appointed time, at the lowest possible cost but that does not affect the quality, and its used by relevant persons. Decisions based on such information may be adequate, valid, and have an impact on certain outcomes for the future of the commercial companies.

For information to have the right validity, it must possess certain characteristics which make decision-making more in line with the objectives of the commercial companies and add value to the

project or process that is being developed. On the other hand, information that does not possess these characteristics or some of them may lose its effectiveness, and we should not rely on such information in the decision-making process. According to IASs (IASB, 2009), the characteristics that make information useful to use in making a particular decision are: significance, reliability, verifiability, completeness, expiration, comprehensibility, ease of use.

- **Significance -** information that may influence the decision in terms of financial position, financial performance and cash flow, is considered important and weighty.
- **Reliability -** not identifying errors makes information more reliable, and when it is complete in what certain information should give.
- **Verifiability -** published information can be easily verified and from different analyses will give the same results.
- **Completeness -** accounting information includes all that is important, and thus presents a true picture of the financial position, financial performance and cash flow for the particular commercial companies.
- **Accuracy -** consists of not entering incorrect data in the accounting information system, as otherwise, entering incorrect data, incomplete, makes the information inaccurate.
- **Comprehensibility -** is a feature that makes information easy to use even by those who do not have extensive knowledge in the field of finance and accounting. As it is understood that in many cases decision makers are not professionals in the field of finance.
- **Ease of use -** the information is available to its user whenever they need it, and in formats that are usable on an ongoing basis.

The beneficiaries of accounting information in decision making may be numerous, but among its main users will be: creditors, investors, management and shareholders. Other users who may in some way benefit from the decision-making process by using accounting information are: suppliers, customers, employees, analysts and financial advisors, various government agencies, etc.

Management: Financial information helps them analyse the performance and position of the company and take appropriate measures to improve the company's performance. Management needs information about the financial situation of the company, how it is now and how it is expected to be in the future, as this enables them to achieve efficiency in business and make effective decisions.

Investors: Investors provide capital, so they need information to help them determine if they should buy, hold or sell. If they are the current investors in the company, they want to know how well the management is fulfilling its duties. Also, they want to know how profitable the company's activities are and how much profit they can make from the business to use for their own personal purposes.

Creditors: The financial information of a company enables creditors to determine whether the debt owed by the companies will be paid at maturity. Lenders allow companies an overdraft or provide long-term credit by guaranteeing a loan. They want to make sure that the company is able to repay the interest payments and with it the borrowed amounts.

Tax authorities: Helps them determine the reliability of the tax return filed on behalf of the commercial companies. The authorities seek to know about the profits of the company in order to

assess the taxes payable, including value added tax and other sales taxes.
Various financial analyses are used to add value to the financial data contained in an accounting information, and to make the information more useful when making business decisions in commercial companies.

Damodaran (2010), in his paper emphasizes that one of the indicators in the framework of economic and financial analysis and evaluation of a company is risk assessment, as risk poses a serious threat to its activity and continuity.

Financial analysis as a tool which enables the realization of research from the micro and macroeconomic aspect, and through it useful conclusions are drawn about the characteristics of the business and through them to be guided in business and investment decisions.

Ratio analysis is an important and widely used technique to measure the performance and other aspects of the condition and operations of a company, while accounting provides the data required to construct the key indicators of this analysis. The liquidity of a company is measured by current and rapid ratios, profit margins and expenses are reported as a percentage of sales and compared to budget standards, and financial leverage is an indicator of total debt to capital investment.

One of the most widely used methods for analysing the economic and financial activity of a commercial companies is the analysis of financial indicators or as it is otherwise known as "Ratio analysis". Detailed information on the calculation of these indicators or this analysis is found mainly in the financial statements of the commercial companies.

The main indicators or reports that are drafted are divided into five categories:

1. Liquidity ratios
2. Asset structure reports or financial leverage
3. Performance or profitability reports
4. Activity or asset management reports
5. Market evaluation reports

Gentry, Reilly and Hank, (2007) in their paper emphasize that the analysis of economic and financial indicators is important to make the financial forecast and to learn how to interpret the results of this forecast. Interpretation is the most important moment of the analysis of financial indicators.

The commercial companies manage to extract from these reports or financial indicators various accounting information which can be important and through which they make major decisions about the company's business such as:

- ✓ decisions about the production process
- ✓ decisions in marketing and promotion of products and services
- ✓ distribution and sales decisions
- ✓ decisions in the organizational aspect

- ✓ different decisions about the market and competition, etc.

Information is provided by calculating how the business relates to internal and external users, including investors, managers and others (Woods, 2008).

The Ratio analysis is designed to help entrepreneurs, investors and creditors assess the current situation as well as to assess the plan of the business entity in the future, in order to move their business forward (Mazllami, 2020). The findings of this author according to the Ratio analysis of business entities from the Tetovo region Republic of North Macedonia for the period 2017-2019 have showed that the economic and financial condition of micro entities is at a satisfactory level with a tendency to improve, while small businesses is at a high level but with a tendency to decrease (Mazllami, 2020).

Accounting information provides data to the business organization management which serves you for internal controls and auditing. The management of the business organization is constantly faced with the problem of alternative decision-making, especially knowing that the resources are relatively scarce and limited. It is therefore important that good accounting information is made available to make the right and accurate decisions, maximize profitability and make optimal use of scarce resources which are almost always and everywhere.

Accounting information is the type of information that helps assess how to achieve the objectives by determining the amount of financial impact of each alternative available in the decision (Burchell et al, 1980).

Undoubtedly, that information is necessary and indispensable in making business decisions in business organization. The main purpose of using accounting information is to reduce risk, reduce various uncertainties, and keep the business organization up to date and beyond. Therefore, the value of accounting information in the business decision-making process can be high with great impact on the future of any business organization.

Many other studies of this nature have examined ways to help increase the impact and usefulness of accounting information in the decision-making process in a business organization, looking at accounting information how it increases the profitability of the business organization and ensures its continuity as a business entity.

3. Methodology

For the realization of the paper were used the data sources from the accounts of a sample of 50 commercial companies in the Republic of Kosovo (17 micro-enterprises, 21 small and 12 mediums, of which 25 were commercial, 15 service and 10 manufacturers) as well as a questionnaire dedicated to this topic which was distributed to the management of these companies. The Ratio analysis method

as well as the statistical method were also used in terms of creating and presenting the research findings.

3.1. Hypotheses

According to the research methodology and to explain the objectives of this research, we will analyse the hypotheses as a follow:

H_0: Proper use of accounting information does not assist Kosovo's companies in making efficient and effective decisions.

H_A: Proper use of accounting information assists Kosovo's companies in making efficient and effective decisions.

4. Interpretation of results

Data for the calculation of financial indicators using "Ratio Analysis", but also for the implementation of the questionnaire were taken from the financial statements of commercial companies in the Republic of Kosovo. The financial statements are taken from the website where the companies report. Micro, small and medium companies in the Republic of Kosovo are categorized according to the criteria according to Law No. 06 / L - 032 on Accounting, Financial Reporting and Auditing. Commercial companies defined by this Law, for the purposes of this Law, are classified as micro-enterprises, small enterprises, medium-sized enterprises and large enterprises, based on the indicators defined on the last day of the last financial year, for the purposes of preparation. of the financial statements for the current year, according to the following criteria:

1.1. statement of financial position;
1.2. net turnover; and
1.3. average number of employees during the financial year.

Micro-enterprises are enterprises that do not exceed the limits of at least two (2) of the following criteria:

- statement of financial position of three hundred and fifty thousand euros (350,000.00 €);
- net turnover of seven hundred thousand euros (700,000.00 €); and
- average number of employees during the financial year: ten (10).

Small enterprises are enterprises which are not micro-enterprises, but do not exceed more than two (2) of the following criteria:

- statement of financial position of four million euros (4,000,000.00 €);
- net turnover of eight million euros (8,000,000.00 €); and
- average number of employees during the financial year: fifty (50).

Medium-sized enterprises are enterprises which are neither micro-enterprises nor small enterprises, but do not exceed two (2) of the following criteria:

- statement of financial position of twenty million euros (20,000,000.00 €);

- net turnover of forty million euros (40,000,000.00 €); and
- average number of employees during the financial year: two hundred and fifty (250).

Some of the data summarized through a questionnaire conducted with different levels of management in randomly selected commercial companies (micro, small and medium) are presented in the tables below.

Table 1 shows that business organizations in the Republic of Kosovo use accounting information in the business decision-making process to a certain extent, and in many cases rarely or never.

Table 1: How often do you use accounting information in decision making?

Often	Sometimes	Very rarely	Never	No Answer
8	19	17	6	0

Source: *Author from the results of the questionnaire*

The reason for not using accounting information in making business decisions in a regular and continuous manner may also be that the reliability is not at a level satisfactory by all stakeholders or users of accounting information.

Table 2: How reliable is the information from the AIS?

Very	Little	Not at all	No answer
4	8	6	2

Source: Author from the results of the questionnaire

While regarding the question asked in the questionnaire what impact the information from the AIS can have on business decisions, about 80% of the answers are positive and are thought to have very high, high or average impacts, while about 20% think that the impacts are low or have not been answered at all in this question and can be considered as disagreeing with the impact of such information on decision making.

Table 3: What impact can AIS information have on business decisions?

Very high	High	Average	Low	No answer
6	15	18	9	2

Source: Author from the results of the questionnaire

In a Table 4, the survey results show that the "Ratio analysis" technique is seen as a valuable and important tool to be considered in the decision-making process, seeing from the survey results that 70% have considered that the "Ratio analysis" technique helps in decision making, while 30% think it helps a little.

Table 4: How much does the "Ratio analysis" technique help in decision making?

Very	Average	Little	No answer
12	23	15	0

Source: Author from the results of the questionnaire

In the part of "Ratio Analysis" (Table 5.) it is seen that commercial companies included in this research have values of financial indicators that should be taken into account when making business decisions.

Table 5: Calculation of some of the financial indicators through "Ratio Analysis"

Indicators		Values (SMEs)	Criteria
Current ratio	=	1.95 times	2:1[1]
Rapid Ratio	=	1.42 times	1:1[2]
Stock turnover	=	8.11 times	/
Debt rate	=	48.68 %	/
Net marginal profit	=	4.70 %	/

Source: Author from the results of the questionnaire

As it is seen they have a satisfactory liquidity considering the current ratio and the fast ratio, which shows that they manage to meet the obligations they have at any time, and also achieve a relatively high stock turnover. They have a debt ratio of about 50 percent, which if properly managed can affect the growth and development of their business, but this in a way makes them dependent on accounting information to achieve a higher efficiency in management. As well as the profitability indicator that signals that we need to be careful and better manage in terms of operating expenses and other costs, in order to increase the share of net profit in total sales by a higher percentage. Profitability indicators are known to measure the combined effects of liquidity, asset management and debt on the outcome of society. These reports express exactly what the commercial companies earns on its sales, assets or capital.

From the results that we have achieved from this research through the questionnaire conducted in commercial companies (micro, small, medium) in the Republic of Kosovo, and the calculation of some of the financial indicators within the "Ratio Analysis", it is seen that we have no support Satisfactory in business decision-making on accounting information, although the percentage of those who think that accounting information has an impact on business decision-making is high (about 80%).

[1] *Traditionally textbooks tell us that this ratio should exceed 2:1 for a company to be able to safely meet its liabilities.*

[2] *Traditionally textbooks tell us that this ratio should exceed 1:1 but many successful companies operate below this level.*

So we can conclude that we reject the null hypothesis and accept an alternative hypothesis: "Proper use of accounting information helps Kosovo's commercial companies in making efficient and effective decisions".

5. Research findings and recommendations

Information is an essential resource for the successful and efficient development of commercial companies. Nowadays, when economic globalization in recent years has gone ever increasing, and commercial companies face increasing competitive pressure from local and international commercial companies, so as to enable the sustainable growth of commercial companies in a Competitive Market It is very vital to have a sincere and realistic information from the financial point of view, information which is mainly provided by accounting information systems.

However, the accounting information provided by the accounting information system (AIS), to be usable by users (creditors, investors, management, shareholders, tax authorities) must contain the characteristics (relevance, reliability, verifiability, completeness, expiration date), comprehensibility, ease of use) according to IASs that make the information useful to use in making a particular decision.

The information communicated by accounting is very important to its users because it will influence business decision making in commercial companies. Financial accounting plays an important role as it allows commercial companies to keep track of all their financial transactions and activities. So, this is the process in which commercial companies record and report the parts of financial data that enter and exit from its business operations that enable both managers of companies and other users, such as foreign investors, various creditors, analysts., etc., understand the health of the commercial companies and make the right business decisions.

Our achievements from the results of this research through "Ratio Analysis" and the implementation of the questionnaire of commercial companies in the Republic of Kosovo, almost confirmed our expectations in confirming the hypothesis that proper use of accounting information helps commercial companies in making efficient and effective decisions.

Commercial companies (micro, small and medium) in the Republic of Kosovo rely on accounting information in the business decision-making process at an unsatisfactory level, seeing that the credibility from outside the organization is also not so satisfactory.

In conclusion from this research it is seen that the proper use of accounting information by commercial companies has a certain impact on making an efficient and effective decision. It was also seen that the impact of accounting information on business decision making has more positive than negative sides, therefore accounting information has weight in business decision making in commercial companies in the Republic of Kosovo and should be taken into account whenever management is faced with taking a decision.

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Pasqyrat financiare të raportuara nga shoqëritë tregtare në Republikën e Kosovës, të marra në web faqen e Ministrisë së Financave në Republikën e Kosovës: https://mf.rks-gov.net/page.aspx?id=1,103 (data 15.08.2020) .