

CrossRef DOI of original article:

1 The Implementation of an Integrated Information System in the
2 Company: From Option to Obligation for Efficient and Effective
3 Management

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5 *Received: 1 January 1970 Accepted: 1 January 1970 Published: 1 January 1970*

7 **Abstract**

8 Business management requires, irrespective of the company's size, the implementation of an
9 information system that enables managers to implement a decision-making process leading to
10 the maximisation of efficiency and income, financial and production effectiveness. The
11 integrated information system identifies a system in which each part and each accounting item
12 interacts with all the other system cells. This prevents overlaps and gaps that inevitably lead
13 to the construction of unnecessary and costly superstructures or to create a system that does
14 not cover every information need of the company's internal user.

16 *Index terms—*

17 The Implementation of an Integrated Information System in the Company: From Option to Obligation for
18 Efficient and Effective Management

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22 Abstract-Business management requires, irrespective of the company's size, the implementation of an
23 information system that enables managers to implement a decision-making process leading to the maximisation
24 of efficiency and income, financial and production effectiveness. The integrated information system identifies a
25 system in which each part and each accounting item interacts with all the other system cells. This prevents
26 overlaps and gaps that inevitably lead to the construction of unnecessary and costly superstructures or to create
27 a system that does not cover every information need of the company's internal user.

28 The integrated information system overcomes these problems and guarantees disseminating valuable infor-
29 mation to the end-user and not overstructured concerning his information needs. Moreover, precisely because
30 of its structure, such a system also prevents parts of these needs from being overlooked or from being filled by
31 communication elements with no real informative substance.

32 1) The Integrated Information System. Introductory Considerations wrote this article in response to a twofold
33 need expressed by many companies, both large and small. First, in companies, there is often a coexistence of two
34 requirements that can summarise in the terms "simplification" and "exhaustiveness".

35 Business efficiency requires that analysis and management tools do not represent a useless, costly and,
36 consequently, counterproductive superstructure. As they say in the jargon, 'turning over cards' does not mean
37 informing. Creating an extremely complex 'information monster', both to manage and to understand, means
38 causing direct and indirect economic damage to the company. Directly, the damage is measured by quantifying
39 the out-of-pocket costs that must necessarily learn to create and maintain such a structure. Indirect costs,
40 however, are the most insidious and dangerous. Anyone who deals with information knows perfectly well the
41 fundamental principle that too much information leads to disinformation. The same concept can be applied to
42 the issue at hand. Suppose ten elements of knowledge are sufficient to make a decision. In that case, providing
43 the user with 20,000 pieces of information not only does not guarantee a better decision-making process but,
44 on the contrary, probably causes the exact opposite of what is desired. The ten elements 'hidden' in the 20,000

45 cannot, in all likelihood, be identified in an agile and correct way, with the consequence that the decision will
46 be taken without the necessary information support that, on the contrary, a rigorous selection of the data would
47 have allowed.

48 This principle applies in all situations. In medium-small business structures, the "sorting" element of the
49 information to be produced and supplied is vital because, on the one hand, the direct cost of creating/managing
50 an over-dimensioned system would cause a crash at the economic level and, on the other hand, because, often,
51 the management -overburdened by tasks of various kinds inherent in the fact that, on the other hand, because
52 management -overburdened by multiple tasks related to the fact that, frequently, operating in a medium-small
53 size also means sharing many organisational functions -identifies in principle "little information but good" an
54 inescapable concept so that the company management can be efficient and effective both at economical/income
55 and financial/asset level. In large companies, it is even more important to avoid providing unnecessary and/or
56 oversized information compared to the real needs of individual managers, since the increase in management
57 complexity inevitably implies an increase in the need for knowledge and, consequently, in the information set
58 that company management must receive. The correct management of a very structured collection of information
59 is, in itself, complex. Still, it becomes almost impossible if the data useful for decision-making are included in a
60 structure of aggregates/indices /flows/values that has a lot of irrelevant information.

61 Therefore, the need to have targeted, specific and beneficial information is present both in small and medium-
62 sized enterprises and large companies.

63 The vital need to have only essential information (not accompanied by a series of other communications, which
64 are essentially useless from a decision-making and management point of view) must be combined with I the need
65 to count on complete and exhaustive information tools. Every company increasingly perceives the need to be able
66 to rely on elements and information that cover, in an integral manner, the cognitive needs that are indispensable
67 for the decision-making process to be conducted rationally and in such a way as to ensure the maximisation of
68 efficiency and effectiveness, both in terms of income and in financial terms.

69 There is often dangerous practice of reducing the complexity of management analysis by eliminating, almost
70 indiscriminately, values, data, quotients, aggregations, etc., to render the study itself essentially useless. The
71 excessive simplification and the drastic reduction of the data to be analysed, carried out to "streamline" the
72 information system, cause the implementation of a system that is not suitable for the decision-making process to
73 improve and to be able to guarantee the maximisation of management efficiency and effectiveness.

74 The need to avoid creating oversized structures and the consequent need to develop information systems suited
75 to the specific size of the company should not lead to the belief that, especially in SMEs, due to their small size,
76 companies can be "satisfied" with determining little data, simple in calculation and interpretation. The idea that
77 medium-sized and small companies can nowadays afford to use crude, incomplete, imperfect and non-exhaustive
78 management tools is not only wrong but particularly dangerous.

79 Avoiding the creation of unnecessary overstructures does not mean, therefore, giving up having a complete
80 and exhaustive management analysis system.

81 The accuracy with which a system is implemented has a considerable impact on the rationality and correctness
82 of the management's decision-making capacity, whether it operates in SMEs or in large companies.

83 The selection, combined with the completeness of the data/indices/values to be used in the decisionmaking
84 process, is the necessary but not sufficient condition for maximising the company's effectiveness and eco-
85 nomic/financial efficiency.

86 Management always wants to have a tool in which the starting point of the analysis is obvious. In a similarly
87 intelligible manner, the individual steps necessary to follow are identified so that the information can improve
88 the decision-making process.

89 Understanding where to start, what to do in the process, and the endpoint of the information process is
90 indispensable for the decision-maker to make full use of the data pool that the proposed system provides to the
91 manager.

92 In the following pages, we will deal with the three points mentioned above in a synthetic way to provide
93 all readers with the interpretative key that allows implementation of an integrated information system created,
94 taking into account the particular cognitive needs of SMEs and large companies.

95 In highly synthetic terms, and valid only to make sense of the broad analysis that will develop in the following
96 pages, these simple and, only apparently, can underline banal considerations:

97 1) If the management perceives a global economic/financial information need, it is necessary that the
98 analysis foresees, as a first compulsory step, the in-depth, analytical and exhaustive study of the income and
99 monetary/financial situation of the company at the moment in which one starts this business investigation.
100 Pretending to implement control/analysis/research systems that relate to the future without understanding the
101 company's strengths and weaknesses that can be identified when the examination begins is simply absurd and,
102 what is more, dangerous. Fantastic because the thought of planning for the future without knowledge of the
103 present appears, in all evidence, to be an unfeasible operation. Dangerous because attempting such an operation
104 could lead to the unintentional creation of income and/or financial crashes that could potentially cause situations
105 that are very difficult to recover from. Therefore, the starting point must necessarily be the development of a
106 complete analysis of the company's income, financial and monetary situation, carried out on final data as close
107 as possible to the moment in which management analysis and implementation of the integrated analysis system

108 begins. 2) After having understood the initial company situation, it is necessary, first of all, to understand the
109 "compulsory" nature of formalising a management control system. In general, one often hears it said that there
110 is always some planning in the entrepreneur's mind even in the absence of a formal structured system. However,
111 the complexity of today's economy also requires a formalisation of the objectives that the company wants to
112 achieve. Therefore, in this programming phase, can generally identify two problems:

113 The first "impasse" may be related to the tendency that every human being develops towards novelty.
114 Introducing a control/programming/analysis system frequently comes up against the idea that "since it has gone
115 well up to now, there is no reason to change...". The task of top management is certainly to make all employees
116 understand that, at present, even in small and mediumsized enterprises, analysis, planning and indepth analysis
117 of the company's areas of strength and weakness are necessary but not sufficient condition for the company to
118 continue to thrive. Necessary because, without it, everything is left to improvisation, which is very dangerous in
119 times of solid market turbulence. Not sufficient because the company does not produce cash flows and income
120 just because there is a system of planning and analysis. The company thrives because it is the result of a
121 winning business idea. However, the absence of final analysis of data, severe planning and an understanding of
122 the reasons that led to achieving results other than those set can undermine the solidity of a company, even if it is
123 potentially successful. b) The second problem may, on the other hand, be related to the lack of understanding of
124 the various logical steps that must, appropriately, be followed in the economic/financial planning phase. In fact,
125 in many companies, the need for analysis, both final and preventive, is perceived, but the logical path is unclear.
126 Planning is a jigsaw puzzle that must construct according to precise logic. Failure to follow the right approach
127 can invalidate the planning itself. This is why, in the following chapters, we will identify, in a comprehensive but
128 straightforward way, the sequence of operations that the implementation of a planning system requires. c) After
129 having identified, on the one hand, the starting point of the analysis/depth analysis of the economic/financial
130 situation and, on the other hand, the sequence of steps to be followed to build an effective and efficient planning
131 model, it is necessary, to achieve useful information results, to have very clear in mind what the "endpoint" of
132 the system is. In other words, it is essential to clarify, ex-ante, the natural and inevitably complex objective of
133 the entire integrated analysis system. In this text, the goal will be to create an information "structure" that can
134 help management understand the company's economic/financial situation, both in global and analytical terms.
135 Anyone who reads the following chapters will easily understand the need for the system to be structured in such
136 a way as to analyse, in all their facets, the various management segments of the company. However, there is
137 nothing to prevent the reader from considering structuring an information system that, although integrated, is
138 smaller in size than that provided for in the text.

139 The particular configuration and organisation of the following paragraphs will enable everyone to identify
140 the areas of most significant interest. Consequently, it will allow the reader, if he/she deems it appropriate, to
141 implement an information "micro-system" that, while identifying only a part of what could be achieved, configures
142 a set of data with its coherence and logic.

143 3) At the end of the process, it is necessary to understand what results the company fully has achieved in
144 terms of final data.

145 As will be seen in the following chapters, this phase of "understanding" the values achieved ex post requires two
146 distinct moments characterised by equal relevance and operational dignity: a) if we are at the end of the financial
147 year N and, concerning this administrative period, planning (partial or total, carried out in the last weeks of
148 the administrative period N-1) has been carried out, it is first of all necessary to make a comparison between
149 the objectives achieved at the end of the financial year N and the targets planned for the same financial year.
150 In such a case, the comparison of data determined at the end of administrative periods is the only instrument
151 for in-depth management analysis. Only in this hypothesis, the splitting, as far as possible in the absence of
152 planning, of costs and revenues with consequent analysis of the individual variations can be considered valid.

153 2) Analysis of the Income and Financial Situation from which 154 the Company is Starting Out: Preparation of Final Financial 155 Reporting Values

156 The macro and micro structuring and subsequent implementation of an information system adapted to the needs
157 of individual companies require the clarification of some banal considerations which, in reality, represent the sine
158 qua non-conditions so that the in-depth analysis of the company situation is not redundant or, on the contrary,
159 too synthetic/simplified. Very often, one reads studies with rather extravagant names which aim, according to
160 them, to develop innovative research in the field of profitability/financial analysis.

161 The innovation of tools for in-depth analysis of the company's income and financial situation must, of necessity,
162 be the subject of continuous development and improvement. In our opinion, however, very often, this constant
163 optimisation passes through simple and, apparently, banal considerations that only pure marketing necessities
164 transform into 'remarkable changes to what already exists.

165 Logic, combined with simplicity, and associated, on the one hand, with crystal-clear clarity of the results to
166 be achieved and, on the other, with perfect knowledge of the accounting tool to be studied, leads to excellent
167 results without having to resort to an exhausting search for new "names" to give to agencies which, when seen

2 2) ANALYSIS OF THE INCOME AND FINANCIAL SITUATION FROM WHICH THE COMPANY IS STARTING OUT: PREPARATION OF FINAL FINANCIAL REPORTING VALUES

168 in reality, represent only the "traditional" cleverly disguised as an "innovative tool that guarantees results never
169 achieved before".

170 The manager needs tools to understand the company's income and financial situation. This must be achieved,
171 for apparent reasons, efficiently and effectively, i.e. by minimising costs and maximising the results/benefits
172 obtained from the analysis.

173 The analysis, seen in these terms, is deepened as if it represented, for example, the goal of production/sales
174 by the company.

175 Every manager understands that the company aims to maximise income from the business in the long term.
176 If a company produces chocolates, everyone believes that the product should be manufactured and marketed in
177 the quest to minimise costs and maximise results (economic, financial and market).

178 An analysis scheme can be defined as "integrated" when it forms a whole system. In this regard, it should
179 be remembered that the concept of a system is based on the interrelation of several elements. Only in the
180 presence of this interconnection is it possible to speak of an analysis system. The system will have a further
181 connotation of "integration" when, in addition to the existence of a correlation expressible in substantial terms,
182 an interconnection of a "terminological" nature can also be identified among the various elements. In order to
183 provide a complete, exhaustive and, above all, comprehensible picture of the company's situation, there must,
184 therefore, be a real conceptual integration at the level of substance and form.

185 From a substantive point of view, integration must be developed because only in the presence of such a
186 characteristic can the conceptual scheme of analysis cover every area that requires further investigation. Formal
187 integration is indispensable if the results of the study are to be understood and communicated effectively. The
188 use, for example, of the same terms identifying similar concepts appears to be an indispensable element if the
189 analysis is to be understandable to all those for whom it is intended. Using different words to identify other ideas
190 is equally crucial for the correct understanding of the results obtained from the analysis of accounting data.

191 Integration, therefore, means the construction of a unitary scheme that permeates each step of the analysis.

192 As is well known, the analysis of management data, both actual and planned, uses a set of indispensable
193 tools: financial/asset and income indicators, re-grouping of financial statements, The writer is perplexed by
194 applications/studies /analyses that, with often foreign terms, strike the imagination of the reader/manager by
195 hypothesising excellent results in terms of information.

196 The analysis of accounting data should be 'treated as if it were a company product. The maximisation
197 of the gap between costs, direct and indirect, incurred to implement/use the information system and the
198 advantages/results obtained as a result of the latter's implementation must be a vital objective of those who
199 are about to implement an analysis /programming system.

200 To maximise financial reporting data's communicative and informative effectiveness, companies must adopt
201 an integrated analysis system.

202 reclassification of budgets (general and operational) of the company, financial flows, intermediate income values
203 such as margins, etc...

204 Adopting an integrated analysis system implies a necessary correlation, both substantial and formal, between
205 all the aforementioned tools. Each operational phase of the information system must be interconnected with the
206 previous and the following one.

207 The output documents of the planning must be able to "talk" with the final balance sheet and profit and loss
208 account, the aggregations must be inter-related both formally and substantively, and finally, the microaggregates
209 determined in the course of the business analysis must necessarily be able to be correlated both with the output
210 of the planning and with the result of the final statement of values.

211 The use of an integrated analysis system makes it possible to develop a management tool for studies, data
212 collection and programming characterised by a substantial uniformity of vocabulary and substance.

213 The implementation of an integrated system prevents two conceptually different data from being given the
214 same name or, conversely, two substantially identical aggregates from having other terminological qualifications.

215 The final analysis must form a continuum with the programming phase, just as the programming results must
216 be closely correlated with the final output. Only by acting in this way is it possible to create a system of analysis
217 that is truly useful to businesses. In other words, a system whose income impact in terms of costs (direct and
218 indirect) has a reason to exist in the light of the "information and management" results achieved.

219 This part of the work is specifically dedicated to an in-depth examination of the company's income and
220 financial/asset situation. In a correct, exhaustive and analytical way, the condition in which the company
221 operates when a system of analysis is implemented represents a sine qua non-condition so that the entrepreneurial
222 management can maximise efficiency and effectiveness in both the financial and income spheres.

223 Analysing, appropriately, the final data of the last available financial reporting or, better, carrying out an
224 in-depth study of the previous approved financial statements (it is advisable always to carry out the analysis on
225 at least five financial statements) is the necessary condition, even if not sufficient, for the management to make
226 rational decisions and be fully aware of the impact that these actions will cause both financially and in terms of
227 profitability.

228 Knowing how to carry out a correct financial reporting analysis is often considered an "obsolete" operation,
229 and, consequently, everything related to this information system is dangerously undervalued.

230 Often, commercial reasons lead to creating tools that implicitly place the analysis of financial reporting as an
231 element of secondary importance in the company's information environment.

232 Nothing can be more deviant and dangerous. The lack of a proper analysis of final data inevitably prevents
233 the creation of an information system that helps to improve the decision-making process of managers.

234 Knowledge of the strengths and weaknesses of the "starting point" appears to be an indispensable element to
235 develop all the subsequent steps (planning, control, etc.) appropriately.

236 The analysis of financial reporting or, as has already been pointed out, of the latest financial statements
237 (studying the trend of values is more significant than dwelling on the precise data of a single financial year) can
238 never be considered an "outdated" or "obsolete" step or, worse still, "replaceable with more refined tools".

239 We can study every value through various "magnifying glasses", and everyone must improve the classic tools
240 of study. Under no circumstances can the analysis of final balance sheets be replaced by other information tools.

241 The task of scholars is to improve the information system output of the analysis, not to identify means that
242 would suppress it or make it practically unusable because of the superficiality with which the study is carried
243 out.

244 At this point, should make a further observation regarding the correct use of the tools for analysing the
245 company's final data, summarised in financial reporting. For "didactic" reasons and the sake of clarity,
246 the following pages will illustrate the various indicators, aggregates, flows, and intermediate values that are
247 indispensable for "sequential" analysis of the company's income and financial/asset situation. Each helpful
248 element for the investigation will be analysed analytically, separately from the other indicators. In each part of
249 this work, the correlations that can identify between the various aggregates and values will be highlighted, but,
250 for communication purposes and to make any consideration made regarding the various aggregates/indices/flows
251 easily understandable, the explanation of the various analysis tools will have to be made individually. And this,
252 not because we should study each element separately from the others, but only because the simultaneous systemic
253 explanation of all the indicators would make the comprehension of the logic of construction/interpretation of
254 the specific data extremely complex. The analytical description of each index/date/flow/aggregate individually
255 considered serves, therefore, exclusively, to communicate, in a clear way, the meaning of the value under study.
256 After this logical/didactic step, it will therefore be easy for anyone to understand all the connections that can
257 identify

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259 Volume XXIII Issue I Version I Year 2023 () A between the different accounting determinations. These inter-
260 connections will be particularly highlighted to facilitate the implementation of a truly integrated information
261 system from the point of view of technical construction and correct global interpretation.

262 The following pages will examine the operational phases for constructing the integrated financial/revenue
263 analysis/programming system d in detail. As a preliminary remark, some observations should be highlighted,
264 which will subsequently be the subject of further in-depth analysis:

265 1) First of all, it must bear in mind that each index/flow requires a prior reclassification of the values. As will be
266 pointed out in the following paragraph, such a reclassification is not a mere automatic operation to be delegated to
267 inexperienced persons since any reclassification error may render the calculated indicators meaningless or, in the
268 worst case, with values precisely opposite to the real ones. 2) Secondly, it must be understood how distinguishing
269 between income and financial ratios represents a mere illustration of the complexity of interpretation of the
270 various indicators used to analyse financial reporting data. Most indicators are characterised by the coexistence
271 of an "economic" side and a "financial" side. Even in this case, the separation is made only for "didactic"
272 communication of the instruments. The inter-connections and the various facets of the data calculated based on
273 costs/revenues/assets/equity can only be fully understood after understanding the logic of index construction.
274 This initial, admittedly improper separation is helpful to help understand the more obvious elements of the
275 data and aggregates. The complete understanding of the various indexes/flows/aggregates can only occur after
276 having carried out this first step of the study, which, due to the characteristics indicated above, identifies a
277 necessary but not sufficient action. The knowledge of the most evident elements of the data calculated based
278 on the financial reporting values serves to mentally construct that integrated system which, to be effective, after
279 having been explained and been built in an unexceptionable manner, must also permeate the analyst's mind to
280 make possible and logical the correlation between each indicator/flow/aggregate and all the others. 3) Thirdly,
281 it is necessary to point out an obvious consideration that is often underestimated. The financial reporting being
282 examined must reflect the business reality that it is intended to summarise in economic and financial values.
283 If the analysis is carried out on untrue financial statements, it is evident that the results are unreliable. This
284 consideration may be considered trivial and superfluous. To assume that analysing false financial reporting is
285 an absurd operation seems to identify the obvious. In reality, the above reflection captures an element of the
286 analysis that is often underestimated due to the lack of consideration of a particular accounting "distortion"
287 that is very frequent in Italian companies. This is not the right place to deal in depth with the integrity of
288 financial reporting. To make correct considerations regarding the analysis of financial reporting, it is necessary
289 to underline, in a particularly marked manner, how the investigation leads to significant results only if the
290 data subject to analysis reflect the company's reality. Financial reporting, as is well known, must be drawn
291 up following the provisions of legal regulations supplemented by national or international accounting standards.

292 The distinction between national standards, IAS/IFRS standards and US GAAP standards (to mention the
293 most widespread international and national standards) makes it clear that the identification of a truth, even a
294 "relative" truth (the absolute truth, in financial reporting, cannot exist by definition), is far from being achieved.
295 Given these differentiations, even approaching the "truth" appears to be a complicated operation. However, the
296 complexity of such a conceptual operation does not prevent us from hypothesising the possibility of drawing up
297 truthful financial reporting insofar as it complies with the (national or international) "accounting standards".
298 One can argue about the appropriateness of using one set of accounting standards rather than another; one can
299 identify gaps and inaccuracies in the various "sets" of accounting standards; one can even identify errors in certain
300 documents drawn up by national and international boards, but, regardless of all this, one can never conclude that
301 such considerations make it advisable not to apply the standards themselves. Accounting standards, whether
302 national, international or country-specific (e.g. US GAAP), represent an element that, although marked by
303 potential or actual limitations, is indispensable for preparing financial reporting characterised by truthfulness
304 and factual correctness.

305 Non-application of the accounting standards must be motivated by exceptional circumstances that apply
306 generally accepted and customarily suggested rules to company preparers of financial statements inappropriate.

307 A very relevant element concerns the potential presence of tax values without income content in financial
308 reporting.

309 Each country has different regulations, but the element that should distinguish all financial statements is that,
310 according to various methodologies, all users outside the company. Therefore, the statutory income statement
311 and balance sheet must show, either exclusively or depending on the various countries' regulations, amounts with
312 accurate economic content.

313 On the other hand, for tax or other reasons, items with no economic content and only a tax value are included
314 in the financial reporting. This creates the conditions for a decision-making process that is misled by incorrect
315 data. This decision-making process can affect both internal managers and external parties.

316 If tax accounting entries without any economic content are present in financial reporting, three types of
317 consequences occur, which can be summarised as follows:

318 a) Consequences of an Informative Nature Towards the Outside World: Financial reporting prepared based
319 on tax values do not reflect the economic-financial reality of the company. Communication to the outside world
320 is therefore distorted with the consequence that users (e.g. company creditors, shareholders, workers, lenders,
321 etc.), for whom financial reporting represents the only element of information about the company, have at their
322 disposal data that fail to illustrate the reality of the economic entity to which they refer. Therefore, the ultimate
323 consequence is that people outside the company are forced to make decisions based on values that do not reflect
324 the reality of the business in which they are interested. b) Consequences of a Legal Nature: The inclusion, in
325 financial reporting, of values without economic content entails the non-compliance with the truthfulness postulate
326 imposed by Article 2423 of the Italian Civil Code. As we have pointed out in the previous pages, untruthful
327 financial reporting is illegitimate financial reporting. Since the invalidity is related to content defects, the relevant
328 approval resolution must be considered radically null and void. The recognition in the accounts (the results of
329 which are reflected in the financial reporting for the financial year) of amounts with no economic content therefore
330 undoubtedly creates the conditions for the financial reporting within which such accounts have been recognised
331 to be considered untrue. This is the case both if the recognition of a tax value in financial reporting results in
332 an overstatement of income and the opposite hypothesis.

333 If an expense of 100 is recognised in financial reporting when there is a negative "real" income of 110, everyone
334 would agree that the gain (or loss) has been overstated (or understated) because there is no negative value of 10
335 in the income statement (think, for example, of black purchases with no transit through the income statement).
336 In stating this, implicitly, the untruthfulness of the profit and/or loss recorded in the accounts is highlighted and,
337 it seems to us to be able to affirm that, to the ascertainment of overvaluation of income, must, necessarily, lead
338 to a declaration of invalidity of the financial reporting.

339 It is assumed that everyone would agree that financial reporting is unlawful to even in the opposite case. In
340 the hypothesis, the "real" cost is lower than the cost recorded in the income statement. In such a case, the income
341 reported would be underestimated because the costs recorded in financial reporting, at least partially, would not
342 identify any input but would represent, exclusively, entries without economic content. Also, in this hypothesis,
343 the writer assumes that everyone would agree in considering financial reporting null and void.

344 The reason why the financial reporting preparer includes in the income statement a non-existent cost or does
345 not record an economically correct cost does not affect the assessment of the illegality of financial reporting.

346 It does not seem possible to "graduate" the reasons why an existing cost is not recognised or a nonexistent
347 value is recognised in the accounts. The "justifications" underlying the erroneous recognition can, at most, be
348 taken into account when addressing the issue of the criminal relevance of the invalidity. In the context of criminal
349 misrepresentation in financial reporting, the aspect of justification is, in fact, of legal importance. This is not the
350 case concerning civil law illegality. Untrue financial reporting is unlawful financial reporting. More specifically,
351 it is "null and void" financial reporting insofar as it infringes on the information rights of the community outside
352 the company.

353 If the reader agrees with the above statements, he must also accept the considerations that must develop
354 regarding the consequences of such accounting behaviour. If, on the one hand, the recognition of a non-existent

355 cost or the non-recognition of a "real" cost identify, without a shadow of a doubt, causes of invalidity of financial
356 reporting, on the other hand, it is hard to see how a document could be considered valid and, therefore, truthful,
357 in which exactly this occurs following the "import" of tax values that have nothing to do with "economically
358 correct" costs and revenues. Information Consequences within the Company: Considering the theme of this work,
359 it is appropriate to focus on this issue, leaving readers interested in the other topics set out in points A and B,
360 the burden of deepening, in specific texts, the legal and jurisprudential issues.

361 4 Regarding

362 5 c)

363 should determine the income actually and economically produced by the company. Suppose this value is derived
364 from the summation of data without economic content (such as tax values without income substance). In that
365 case, the information deducible from financial reporting will be misleading as well as manifestly incorrect.

366 in financial reporting of tax values that are distorted concerning reality, it should be remembered that, in
367 most cases, general accounting values are taken as a basis for identifying useful data for management control
368 purposes. It is clear that the use of incorrectly determining costs (which, as a result, may be higher or lower
369 than the economically correct ones) leads, on the one hand, to a financial reporting analysis that provides
370 results and outputs that are completely distorted compared to the "real" company situation and, on the other
371 hand, prevents the implementation of policies that allow the achievement of the objectives of the control system
372 which are identified, essentially, in the maximisation of management efficiency and effectiveness. In this area
373 of "consequences", the victims are precisely the company managers who determine indices, flows, aggregates,
374 various indicators, costs and product returns based on incorrect values. Hoping that the reader will forgive
375 the subsequent analogy, it can be said that this behaviour brings to mind those individuals who, from within
376 the company, subject financial reporting to an in-depth analysis using indicators in the full knowledge that the
377 document submitted for examination does not contain, for example, data on sales made 'off the books'. Even
378 in this field, the consequences can be detrimental because deciding based on values that, economically, do not
379 reflect the truth means taking as a reference point data that, potentially, can be misleading and wrong.

380 Leaving aside all legal considerations, it is clear that the preparation and subsequent analysis of false financial
381 reporting lead to decisions that are not in line with the reality under investigation. It is clear that the more
382 the data included in the financial reporting are different from the economically correct values, the more the
383 results of the management analysis (and management control) will be unusable as they are misleading. Suppose,
384 for various reasons, erroneous data is included in the profit and loss account (although aware of the legal and
385 decision-making consequences that such behaviour may cause). In that case, the analyst and the controller must
386 consider such discrepancies when interpreting the data output of the analysis system and the management control
387 system. Otherwise, decisions are taken that are irrational and counterproductive, uneconomic, and contrary to
388 an efficient and effective financial policy.

389 At the end of this brief introduction on the founding elements of a practical, valuable and complete final
390 financial reporting analysis, the writer thinks it appropriate to make a final consideration arising from the
391 consulting experience developed over the last twenty years.

392 Implementing an integrated analysis system consisting of financial reporting analysis, planning and comparison
393 between the results achieved and the objectives set inevitably requires the management's willingness to "structure"
394 and use such a management tool.

395 In the presence of a negative or even uncooperative attitude on the part of both managers and administrators,
396 the implementation of an integrated system of final analysis and planning is, in essence, doomed to failure.

397 With specific regard to the subject of this chapter, namely the analysis of final financial reporting, it should
398 note that a total delegation to the analyst is impossible without a collaborative and proactive willingness within
399 the company.

400 Whoever plans an analysis (and forecasting) system needs access to a series of information that only internal
401 managers possess. The person who has to 'create' and implement, for example, a reclassification of the profit
402 and loss account or balance sheet, which takes into account the specific characteristics of the company, cannot
403 carry out any sensible operation without the collaboration of the company's internal stakeholders.

404 Implementing an integrated analysis and management control system requires managers to devote time and
405 energy to this project.

406 Business consultants are often asked to set up analysis systems "with the understanding that you do everything
407 because your internal staff is so busy". we cannot accept such a request. The direct intervention of the company
408 management and, for some operations, of the administrative staff, is not an 'optional extra' which, in the case of
409 very busy subjects, can be avoided by increasing the consultant's work.

410 The less time management dedicates, especially in the initial phase of preparation of the system's founding
411 elements, the greater the approximation will characterise the system's output results: the analysis of the final
412 data and the creation of a planning and control system requirements, the implementation phase, the massive
413 intervention, and the solid and conscious collaboration of the company management. The absence of such
414 cooperation can significantly reduce the effectiveness of the entire system. This is why the "tailor-made creation"

415 of an integrated analysis and planning system necessarily requires the company to invest in the most precious
416 element in it, i.e. the time and expertise of the company management.

417 The entire delegation to the consultant of each phase of the implementation of the system, in order not
418 to further commit the company's working personnel, is contrary to the company's interest since the external
419 professional will have to manage/interpret/reaggregate /synthesise/interconnect a series of data in the absence
420 of indispensable information. As it can be easily understood, this circumstance will cause the realisation of a tool
421 that will never fully develop its capacity to help the management take rational, effective and efficient decisions
422 both from an economic and financial/asset point of view.

423 The intervention of the company's management and the help of the administrative staff must therefore
424 be considered a sine qua non-element so that the implementation of the integrated system of analysis and
425 company planning can achieve the objectives for which it is structured, developed and, subsequently, subjected
426 to continuous improvements and interventions aimed at maximising the efficiency and effectiveness of the decision-
427 making process of the company's management.

428 3) Ongoing analysis of company data: the so-called management control in an integrated information system.
429 Management control and planning from a separate element accounting integrated with the study of financial
430 reporting and the general budget and all the values constituting the information system itself.

431 In the preceding pages, it has been highlighted how essential it is to maximise management effectiveness and
432 efficiency to implement an integrated analysis system. The in-depth analysis of the company's global situation,
433 understood in its entirety, through the comparison with multiple aggregates of balance sheet and income items
434 that can deduce from the financial reporting for the year, is a sine qua non condition for management to be
435 defined based on the company's situation and not on the wave of emotions that are more or less disconnected
436 from the business reality.

437 If, on the one hand, the analysis of financial reporting values identifies a fundamental step to ensure consistency
438 between choices/decisions and the company's equity, income and financial situation, on the other hand, this type
439 of in-depth analysis is not sufficient to ensure proper management.

440 The objective of financial reporting is to analyse the financial results of the company as a whole.

441 As it is clear, this analysis, if on the one hand, it represents a necessary condition for the management of the
442 company, on the other hand, it identifies a low condition to ensure that the entrepreneurial management can be
443 carried out in full awareness of what is happening within the company.

444 To manage companies consciously, it is necessary to understand that financial reporting, although relevant
445 and necessary, is characterised by two features which, at the same time, represent its main strengths and its
446 most relevant "limits": 1) Firstly, financial reporting aggregates values at the company level. The company
447 is interpreted as a single entity and, consequently, the accounting data concern the whole business structure;
448 2) Secondly, financial reporting only contains final figures. By definition, forecast and planned values cannot
449 be included in this document (even if part of the balance sheet and income statement data are influenced by
450 considerations concerning the future of the company (think, for example, of depreciation, closing stocks, provisions
451 for future risks and charges, etc.).

452 To maximise effectiveness and management efficiency, it is therefore essential, on the one hand, that choice
453 is based on analytical data regarding single objects of interest (e.g. products, departments, etc.) and, on the
454 other hand, that the management can rely not only on actual data but also on planned values, without which
455 the decision-making process takes paths that are dangerously unsuited to the real needs of the company.

456 To ensure effective and efficient management, it is necessary to interpret the company not only as a
457 unitary entity but also as a sum of "molecular" elements whose correlations and interdependencies constitute a
458 fundamental element of the company's success.

459 To investigate these "company cells", financial reporting demonstrates the "intrinsic" limits of an information
460 tool whose primary objective is to highlight the company's financial, equity and income situation interpreted
461 as a single entity. The management control overcomes these theoretical/operational limitations and allows the
462 deepening of the "fractional" management of the company.

463 The study of the single products placed on the market by the company, of the single departments constituting
464 the company, and the different activities developed in the entrepreneurial sphere are only some of the primary
465 management control objectives. With its logic of planning alongside the calculation of values, this system allows
466 the entrepreneurial energy to be channelled towards a constant increase in the company's overall profitability
467 and the search for the financial and patrimonial balance of the company itself.

468 Therefore, management control is not an academic or didactic tool but an indispensable element for all
469 companies, including small and medium-sized ones, to improve their performance.

470 The need to count on analytical data regarding single objects (e.g. products, departments, lines, activities,
471 etc.) is accompanied by the need for managers to be able to make their decisions based not only on actual data
472 but also on planned values.

473 In recent years, given the complexity of the economic environment in which companies operate and the greater
474 frenetic nature of markets, the budget and the concept of planning itself have been the subject of questions,
475 both from scholars and from operators, about their real usefulness in a historical moment marked by the real
476 impossibility of a certain and precise "forecast" (if it can be said that, in other historical periods, this was
477 possible).

478 It is precisely at times of uncertainty that the management of a company must be based, instead of
479 improvisation, on a set of cognitive elements that allow managers to develop the decision-making process in full
480 awareness of the income, financial and asset consequences of such decisions. Undoubtedly, the information that
481 can be drawn from the financial reporting for the year cannot be considered exhaustive, since the conciseness, the
482 precision implemented to the detriment of timeliness and the inclusion of only actual values, make this document
483 insufficient for the information needs of business managers to be fulfilled.

484 This information -which must guarantee timeliness even at the expense of a specific (limited!) degree of
485 accuracy -must also allow for evaluating managerial performance.

486 This information is a critical element in ensuring that promotions, bonuses in the broadest sense and sanctions
487 are allocated to managers fairly and transparently. In this regard, it should be emphasised that the responsibility
488 assigned to the various managers must always be accompanied by decision-making levers on which they must
489 act freely. The assignment of duties and the related attribution of management levers implicitly require that the
490 accounting elements on which individual managers can work are fully known. Secondly, these values are correctly
491 attributed to the subjects directly responsible. We can only achieve these objectives if the information support
492 can provide, on time, analytical information concerning the individual areas of competence.

493 The achievement of management effectiveness and efficiency requires that the system orients its structure
494 towards objectives aligned with the mediumlong term strategy. Short-term planning must therefore be constantly
495 and in all its parts univocally interrelated with medium-term planning.

496 In general, it is stressed that management control is a system to support decision-making and not a set of
497 procedures whose primary objective is the inspection and verification of managers' performance.

498 In reality, this statement is only partially true. A "complete" control system (and, later on, we will understand
499 the reason for the use of this term) is, in fact, always characterised by the phase of comparison between expected
500 and achieved results. From such a comparison, an assessment of the management's performance inevitably arises.

501 Therefore, if on the one hand it is true that the control system should not be seen as a means of inspection,
502 on the other hand it is equally true that the phase of identification of the variations between the objectives set
503 and the results achieved, inevitably involves a moment of verification.

504 Concerning the problem of correlation between the concept of control and the support and inspection activity,
505 it is About the problem of correlation between the concept of control and the support and inspection activities, it
506 is essential to emphasise how the implementation of the integrated analysis/programming system can be successful
507 and, consequently, only succeed in ensuring that the objectives of efficiency and management effectiveness can
508 be achieved if the entire management shares the aims of the project and perceives information as the whole
509 system as a tool that does not punish but helps company management. In this sense, it can certainly be said
510 that the integrated analysis/programming/control system does not identify a set of inspection and verification
511 procedures. This, however, does not mean that, inevitably, in the context of an information structure such as the
512 system proposed here, a phase should be envisaged in which the expected results and the objectives achieved are
513 compared without, of course, all this being implemented in a spirit of "criminalisation" of the activities carried
514 out by individual managers.

515 As can be seen from what has been said so far, it has been considered appropriate to go beyond the position
516 Theoretical doctrine characterised by the interpretation of management control as a system "partially detached"
517 from the set of information, accounting and not, connected to the analysis of the company considered in its
518 entirety and unity. Many authors, facing the problem of control, raise a virtual "wall" between the study of
519 financial reporting and the information structure connected to individual analytical objects such as products,
520 departments, etc... This position is not reflected in the company's reality since the management of a company
521 perceives the need to count on a series of information that can provide helpful tools to improve the decision-
522 making process. In this sense, interpreting management control as "something separate" from the set of all
523 other information means at the corporate level and, as such, difficult to integrate with them, means laying the
524 groundwork for:

525 1) The creation of information duplication;

526 2) The lack of information concerning specific sectors not explicitly covered by the individual parts of the
527 broader information system, which is also fragmented in organisational terms; 3) The creation of an information
528 over-structure that feeds on itself, in terms of the production of data, both accounting and non-accounting, which
529 are often useless and therefore misleading; 4) The formation of organisational figures that may come into conflict
530 due to the different roles they play within the company organisation.

531 From this, the system supporting managerial decisions cannot be limited to the so-called management control.
532 Still, it is appropriate, or better, indispensable, to be interpreted as an integrated analysis and planning system.
533 This vision does not prevent the interpretation of management control as a part of the more comprehensive
534 corporate information system. Still, it avoids the danger of considering the latter pre-eminent over any other
535 form of intra-company communication.

536 It is for this reason that, in the writer's opinion, when dealing with the problem of the information structure
537 necessary for the management to prepare the decision-making process most appropriate to the company's reality,
538 one should not limit oneself to discussing management control but, dropping useless and misleading labels, it
539 would be appropriate or, rather, indispensable, to refer to a broader "integrated analysis/programming/control
540 system".

541 Of course, the above considerations do not prevent us from highlighting how company managers need additional
542 and different information from what a system focused exclusively on financial reporting can offer. This has already
543 been underlined several times and, therefore, it is considered as established.

544 The perception of the unity of information system, both by the users of the information and by the managers
545 of the system, guarantees the maximisation of the company's performance since only the complete vision of
546 the company's situation (intended both as a unit and as a sum of micro-sections) allows decisions to be taken
547 that are more consistent with the real company situation. If, on the one hand, it is detrimental to have only a
548 global vision of the company without being able to count on information regarding individual products, activities,
549 departments, centres, etc., on the other hand, it is equally dangerous to base management actions exclusively on
550 the knowledge of parcelled out information.

551 This means that it can only guarantee the success of an information system if all managers interpret it as a
552 unicum. It is possible to identify various areas of focus of interest without this implying any separation between
553 "sections" of the system. Therefore, unity is a feature of the company and an element that must necessarily
554 characterise the information system on which the entire management decision-making process is based.

555 For reasons of expositive understandability, we will now explain the characteristics that are generally identified
556 when dealing with the so-called management control. From what has been written in the previous pages, the
557 reader will certainly have understood how this system should be interpreted in an interrelated and interconnected
558 manner with all that has been illustrated in the first part of this work, otherwise the construction of multiple
559 "information systems" whose lack of concatenation prevents the maximisation of the company's effectiveness and
560 efficiency.

561 6 Global Journal of Management and Business Research

562 Volume XXIII Issue I Version I Year 2023() A © 2023 Global Journals

563 Therefore, the management control must be interpreted as one of the integrated analysis /programming system
564 elements, precisely as it happens with the part of the information structure concerning the analysis -income and
565 financial -of financial reporting. Any attempt to separate and interpret the various parts of the system separately
566 can only lead to information gaps and organisational dyskinesia, which are fatal to any company/enterprise.

567 In general, introducing a control system within a company to complete the part of the system concerning the
568 profitability and financial analysis of the company in its complexity and entirety requires the identification of the
569 components making up the system, or rather, the control sub-system.

570 Even though at a terminological level, scholars identify the sections of the control system with very different
571 terms, it is possible to state that, at a substantial level and leaving aside the formal terms used to identify
572 the individual parts; various authors unanimously believe that the presence of three subsystems characterises
573 management control: 1) Information sub-system 2) Organisational sub-system; 3) Dynamic process sub-system.

574 For the reasons given in the previous pages, each of the three parts identified above shows an evident connection
575 and inter-relation with the portion of the integrated system focused on the analysis of the company's global
576 accounting data.

577 The information sub-system identifies the set of indications/data/notes/values/clarifications/refinements
578 concerning information, quantitative and qualitative, necessary for the decision-making process in the best
579 conditions.

580 Therefore, this sub-system identifies the set of information, both accounting and non-accounting, which is
581 indispensable to enable managers to make decisions following the set objectives and quantify both the goals and
582 the results obtained. There is no need to elaborate further on the obvious connections between this subsystem
583 and the output of the integrated system of financial reporting analysis described in the previous pages.

584 On the other hand, the organisational subsystem identifies the set of responsibilities assigned to the various
585 company managers. In this part of management control, the interconnection with the section of the integrated
586 analysis system focused on financial reporting is also evident. Suppose responsibilities are assigned having as
587 reference only small "segments" of the company without reconciling the needs of the company's global vision. In
588 that case, there is a high risk of proceeding with responsibilities that, instead of advancing the company, may
589 cause it to regress towards regressive situations and, consequently, extremely dangerous.

590 Moreover, it should be remembered that this is only indirectly linked to the company's organisational structure.
591 The company's organisational chart is only the starting point for the organisational sub-system of control to be
592 developed. The term control sub-system refers to the actual allocation of responsibilities within the control
593 system. In this respect, it should be remembered that, for this assignment to be practical, the duties assigned
594 to each manager must have particular characteristics: ? It must transparently transfer the responsibilities; any
595 lack of clarity as to the manager's actual responsibility represents a weakness in the control system;

596 As far as possible, the responsibilities assigned must not be subject to duplication and overlapping. When the
597 same object is the responsibility of more than one person, it may remain incompletely managed at an adequate
598 level since each person considers that the other person is responsible for the actual management of the variable
599 subject to responsibility. Co-responsibility must therefore be limited as much as possible. In many cases, it
600 should note that it cannot eliminate it because some areas require the intervention of several parties. For the
601 management control system to be effective and efficient, it is therefore not required that all co-responsibility be
602 eliminated, but rather that it be limited to cases that are necessary and indispensable; -The responsibilities

603 attributed to managers must, as far as possible, be measurable. In various fields of management control, quality
604 aspects inevitably become essential elements of the control system. This is positive and, therefore, cannot be
605 eliminated. Quantitative aspects, however, are often the only ones that can be measured and thus can be made
606 the subject of performance evaluation by managers. The measurability of the objectives and the consequent
607 results obtained is at the basis of the quantification of the action performed by managers.

608 In this case, it can say that responsibility is measurable and can therefore be used, without the possibility that
609 subjective elements may invalidate the considerations that can be drawn from the comparison between objectives
610 and results achieved and the purposes of evaluating the activities of business managers.

611 The dynamic process sub-system identifies the steps through which what is commonly called "management
612 control" can be implemented. The dynamic 'part' of management control is the central element of this system.
613 Suppose the control process is not activated correctly. In that case, the management control system becomes a
614 useless superstructure that produces information that cannot use for the efficient and effective management of
615 company resources.

616 The dynamic dimension of the control system consists of the following phases:

617 1) Indication of the corporate mission; 2) Explaining the medium-long term macro-objectives with a consequent
618 indication of corporate strategies; 3) Indication of short-term objectives 4) Management action aimed at achieving
619 the set objectives; 5) Final assessment of the results obtained in the various company areas; 6) Comparison
620 between the set objectives and the results obtained; 7) Possible implementation of corrective actions aimed at
621 ensuring that, in the following period, can achieve the objectives or modification of the objectives themselves if
622 it is noted that the previously indicated objectives and the strategies based on which the company actions were
623 defined are no longer valid for the following period due to the occurrence of particular contingencies that have
624 made the pre-set objectives and the identified strategies obsolete.

625 Also, in this case, the connection with the integrated analysis system concerning financial reporting and its
626 static and dynamic analyses is evident. It would be impossible to understand how objectives, both short and
627 long term, can be identified without having a global vision of the company situation in its entirety.

628 Since this work focuses on the illustration of management helpful accounting to management to improve the
629 decision-making process, our attention will be polarised on the information sub-system, which we mentioned
630 earlier. We refer the reader to specific works on these subjects for the other two dimensions of the control
631 sub-system (organisational and dynamic).

632 The in-depth examination of the information sub-system requires the prior identification of what is generally
633 identified as the "content" of this sub-system. As can be easily understood, the elements that make up this
634 portion of the integrated analysis/programming /control system are taken directly from the concatenation of the
635 control phases themselves.

636 As repeated several times, one should not and cannot make a "virtual division" between the part of the
637 integrated information system concerning financial reporting and its multiple analyses (static and dynamic) and
638 the "section" more closely connected with what is generally identified as management control objectives. For this
639 reason, the information sub-system we have discussed in the previous pages forms a whole with the integrated
640 analysis system illustrated in the first part of this book. The consequence is that it is impossible to identify,
641 in an autonomous way, the components of the control information sub-system since they integrate, completing
642 each other, with the elements of analysis that are embodied in in-depth analyses, both static and dynamic, of
643 the asset, financial and income values of financial reporting.

644 In the light of this consideration, it can say that the integrated analysis/programming/control system must,
645 necessarily, include within it:

646 1) The general accounting and everything related to the preparation of financial reporting for the year prepared
647 following civil law; 2) The various reclassifications carried out to aggregate the financial reporting values in a
648 helpful way to understand the financial and income situation of the company; 3) The static and dynamic analyses
649 carried out considering the financial reporting values; 4) Analytical accounting, which, unlike general accounting,
650 is based on an accrual concept. Therefore, the entries in the analytical accounts are implemented not according
651 to a logic of numerical manifestation but according to the economic competence of the individual operations.
652 By way of example, it can be recalled that, concerning the purchase of raw materials, in general accounting,
653 the recording is made at the moment of the arrival of the invoice. In contrast, in analytical accounting, the
654 transaction is recorded when the raw material physically arrives at the company. Analytical accounting can
655 contain only final data. Accounting is defined as final cost accounting, or final values and planned data, in which
656 case the accounting is defined as standard cost accounting. 5) The budget and standard system, which identifies
657 the phase focused on company values' analytical and global planning. The identification of standard costs and the
658 drafting of budgets, both analytical and general, concretises the planning phase that managers must necessarily
659 carry out. Management is not entrusted to mere sensations but is based on detailed information. The calculation
660 of standard values, the planning of management actions and the consequent drafting of company budgets will
661 be the subject of in-depth analysis in the following paragraphs. The reader is referred to the following pages
662 for further considerations on this issue. 6) The system of variation which is formed by the results deriving from
663 the contrast between actual and planned data. This comparison shows the extent to which the company has
664 achieved the set objectives. The changes affect the company's revenues and costs, and, as will be seen in the
665 following pages, the deviations have the characteristic of being analytical knowledge elements. The determination

7 4) ANALYSIS OF THE FINAL DATA OF THE FINANCIAL YEAR BEING PLANNED AND COMPARISON WITH THE PLANNED DATA -FINAL CHECK OF THE VALUES ACHIEVED IN THE ANALYSED PERIOD. LAST STEP OF AN INTEGRATED INFORMATION SYSTEM

666 of synthetic variances, such as the variation deriving from the comparison between planned income for the year vs
667 achieved result for the year, means identifying a value without any decision-making use. By providing synthetic
668 data, this comparison does not allow the analysis of the causes of the variation and, consequently, does not allow
669 the identification of the corrective actions necessary to achieve the objectives. Therefore, the system of variations
670 is characterised by a set of elementary deviations that identify the analytical causes of each identifiable variation
671 between the goals planned by the company and the actual values. 7) On the other hand, the author considers
672 it possible and extremely useful to implement a partial system that, only after a running-in period, can aspire
673 to be completed. For the system to fully achieve the final objectives for which it is implemented, it is, in fact,
674 indispensable that certain phases be subject to considerations and actions of improvement, which can only develop
675 after a period of operation of the partial system. It is, for example, counterproductive to hypothesise the use
676 of variations for performance evaluation purposes if there is no certainty that the entire technical procedure for
677 determining the data is free of errors and "smears". Often, the planning phase can be usefully implemented after
678 management has become 'familiar' with the methods of calculating the set of values constituting management
679 accounting. In this sense, the theory of those who recommend starting with accounting based on actual values,
680 which is only then supplemented by the cost/revenue planning phase, should not be rejected.

681 It is clear that, given the diversity of businesses, it is impossible to standardise the various time steps. There
682 are, in fact, companies in which it is advisable to run through some phases before others, while there are many
683 companies where the exact opposite can happen.

684 Therefore, the purpose of these few lines is to highlight the existence of this issue, given the technical
685 impossibility of providing an optimal solution for all companies. It must necessarily carry out in the consultancy
686 phase.

687 In implementing an integrated analysis /programming/control system, it is possible, or rather advisable, to
688 proceed in stages, the completion of which may also require a relatively long time. All this should not be
689 interpreted as a negative element and defect in the construction of the system but, on the contrary, as an
690 "added value" of the system itself which prevents errors and misunderstandings often attributable precisely to
691 the fact that, to achieve completeness, in many companies the correctness and understanding of the values and
692 objectives of the system itself are sacrificed. There is no need to detail how, in such a situation, the integrated
693 analysis/programming/control system is fatally destined to fail.

694 Another critical consideration is the title given to this section.

695 It has been decided to begin the part of the text dealing with planning by stating that "planning does not
696 mean forecasting or being certain of 'producing income'".

697 Many readers will have smiled when reading these words. In reality, however, the choice has been motivated
698 by extensive experience in the field that shows how, in many companies, there is a misconception of the concept
699 of planning and management control.

700 First of all, it is essential to emphasise that planning does not merely forecast data about the future. As
701 everyone knows, forecasting implies a passive relationship with the external environment, while planning implies
702 proactivity concerning what surrounds the planner.

703 Being proactive means wanting to impact the environment, refusing to be passive about what happens outside
704 the company.

705 Those who set themselves the objective of implementing an integrated analysis/programming /control system
706 cannot assume that they will be subjected to what is imposed by the market/external environment and,
707 consequently, must identify actions to intervene directly in the surrounding reality. Foresight prevents planning
708 as it merely imagines what external agents want to impose on the company. Such behaviour does not fit in
709 with the logic of control since being subjected to the actions of others is contrary to the very concept of control.
710 Planning, therefore, means identifying objectives from the point of view of someone aware that he can influence
711 what happens in the market. This does not imply a 'delirium of omnipotence' but, much more simply, it means
712 the will to act from a perspective that rejects the logic of mere adaptation to actions dictated by others and
713 permeates every act with a desire to change what exists.

714 Planning, therefore, means not accepting what others have decided but, on the contrary, acting in such a way
715 as to impose what one wants others to "undergo" or, at least, it identifies a willingness to interact with third
716 parties and markets that rejects the preconceived idea that management action is irrelevant to what happens
717 outside the company.

718 Counting on such an information structure does not give the certainty of producing income and financial
719 balance, but, as already pointed out, the lack of information undoubtedly creates the basis for making it difficult
720 or even impossible to achieve such results.

7 4) Analysis of the Final Data of the Financial Year being Planned and Comparison with the Planned Data -Final Check of the Values Achieved in the Analysed Period. Last Step of an Integrated Information System

As already pointed out, while not identifying a verification or inspection system, the control process is characterised by the necessary presence of a phase in which a comparison is made between what was intended to be achieved and what has actually been completed. The concept of control understood as verification is inherent in the very notion of an integrated analysis/programming system. If, on the one hand, this is indisputable, on the other, it is equally valid that this phase does not aim to "criminalise" the work of company management but, on the contrary, aims to provide functional management information to operational managers. The search for any discrepancies between set objectives and actual values, although present in any control system, does not aim to find "faults" or "responsibilities" but should help management improve business performance.

In the context of management control, therefore, a "verification" function is carried out only insofar as this provides essential information so that management can be carried out as efficiently and effectively as possible. The monitoring of the actual achievement of the planned objectives is, therefore, a necessary step to ensure that the management's action allows obtaining satisfactory performance compared to the targets set.

Identifying the reasons why a specific objective has not been achieved or identifying operating procedures to further improve the use of management resources and optimise sales revenues represent the ultimate goals of the phase in which the variations between planned data and values achieved are achieved analysed.

The monitoring of the results achieved and the consequent comparison with the planned values must be carried out by implementing a twofold analysis: A final consideration, again concerning the title given to this paragraph, discusses the possibility that, in itself, an information system produces excellent management results. This represents a distorted idea of the concept of information. Making decisions based on complete, correct and fully comprehensive data does not, of course, imply obtaining satisfactory economic/financial results. Again, many readers will have smiled when reading the title of this paragraph. Experience shows, however, that the opinion that implementing an integrated analysis/programming /control system necessarily implies the achievement of significant economic objectives is quite widespread. There is no need to detail how such an opinion has its roots in a mistaken belief that improperly links the concept of information to the idea of "solving business problems". Making decisions based on correct and comprehensive data does not guarantee the success of the company. However, the opposite is true. It isn't easy to imagine satisfactory economic results without an integrated analysis/programming/control system. ? Comparison between planned and actual figures determined for the entire company; ? Comparison between planned and final analytical cost and revenue figures to identify individual causes of deviation.

As far as the first type of comparison is concerned (analysis of the "variations" between planned and actual global company data), it is necessary to recall the considerations made in the first part of this book. The analysis of income and financial/asset values must be carried out through indices and financial flows. Absolute values can be misleading if not compared with correlated data. For this reason, it must develop an initial study concerning the comparison between planned and actual data through the static and dynamic analysis schemes illustrated above. The operational phases of this study are as follows: a) Technical Operations to be Carried out on Planned Data ? Drafting of the general company budget, consisting of an economical budget, an asset budget and a financial budget balance sheet and financial budget; ? Reclassification of the economic and asset budgets according to the schemes adopted in the integrated analysis/programming system; ? Determination of all the financial, income and asset ratios illustrated in the first part of this text; ? Drafting of the planned financial statement (the final stage in the drafting of the financial budget) structured according to the structure proposed in the integrated analysis/planning system. From the comparison between the various quotients and the multiple dynamic financial data, it is possible to draw valuable observations on the achievement, expressed in global terms, of the overall corporate results set in the planning phase.

The analysis of the variations between the single programmed indicators/flows and the corresponding indexes/flows realised provides essential information on the company's capacity, interpreted as a single entity, to achieve the financial, income and asset objectives set.

If, on the one hand, this comparison is beneficial as it allows us to understand the ability of the entire company to achieve the global objectives, on the other hand, it provides few clues on the identification of both the potential causes of any discrepancies between actual data and objectives values and possible solutions to overcome any management problems. To learn, for example, that the ROI, instead of reaching the programmed value of 15.5%, stopped at 4.3% is helpful but does not explain the analytical causes that may have caused this debacle. This is true for any profitability index. The comparison between the planned economic quotient and the index determined on actual data offers limited information if carried out on income values.

The considerations are partially different if the focus is on financial ratios and balance sheet data expressed in terms of cash flows. For these types of comparisons, the variation between planned and actual figures provides a sufficiently clear picture of the causes of any deviations.

Therefore, as far as the comparison between financial ratios and cash flow statement values is concerned, it

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782 is possible to state that the variation deducible from the comparison between forecast data and actual values is
783 sufficiently clarifying of the analytical causes of any differences between planned ratios/flows and actual dynamic
784 financial ratios/values.

785 On the contrary, the income side of comparing planned ratios/flows and actual realised ratios/flows appears
786 very poor. While it is true that one must determine this variation to understand the company's overall situation,
787 it is equally valid that such a comparison is not conclusive.

788 This information gap cannot be filled by a further analysis of the global data of the profit and loss
789 account/budget and balance sheet/budget. The intrinsic and, consequently, unavoidable limitation of the financial
790 reporting/general budget is precisely identifiable in its most peculiar characteristic: the documents in question
791 are summarised schemes that consider the company as a single entity: it is in this specificity that the reason why
792 the analysis of the variations between planned income ratios and financial ratios determined on actual financial
reporting values, is, by definition, deficient and in need of in-depth analysis ^{1 2 3}



Figure 1: 7 Global

Year 2023

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Volume XXIII Issue I Version I

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Global Journal of Management and Business Research

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Figure 2:

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²The Implementation of an Integrated Information System in the Company: From Option to Obligation for Efficient and Effective Management

³. Samuelson, L.A., 1986. Discrepancies between the roles of budgeting. Accounting, Organizations and Society, Vol. 11, Issue 1, pages 35-45.

794 that can be carried out through the use of tools other than the analysis of the financial reporting/general
795 budget.

796 A study must accompany the determination of the variations between income ratios carried out with different
797 methodologies from the one on which the logic of the quotients is based. This analysis must be carried out by
798 comparing analytical data that allows identifying individual causes of variance between planned values and data
799 realised.

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