

Review Article

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Formal and Substantive Coherence of Accounting Items Used for Management Purposes: Option or Necessity?

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ABSTRACT

The formal and substantive coherence of the accounting items in the documents based on which managers' decisions are made identifies a necessary element for decision-making to be based on data that allow the best decisions to be made so that the effect of the company's efficiency is maximized and planned objectives are achieved. However, this coherence is not the only one that must distinguish the company. Coherence between planned and actual actions, coherence between what is verbally, even informally, illustrated and what is carried out at the operational level, coherence between company contracts entered into with workers and company behaviour implemented toward them, coherence between what is indicated in sustainability reporting and the actions carried out by the company in favour of the environment, character in terms of the activities carried out by management and the actions carried out by workers hierarchically subordinate to those managers, are examples of coherence that is in addition to the need for formal and substantive coherence within the items used in the integrated information system.

Coherence must permeate every company area: organizational, logistical, accounting, production, commercial, etc.

The absence of coherence, even in only one business area, can cause serious harm to business management which, is characterized by gaps and inconsistencies, will not be able to be carried out in a thoroughly efficient and effective manner and, consequently, will not be able to allow the achievement of the company's income, financial and equity objectives planned in the strategic plan and annual budget.

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Received: June 25, 2024; **Accepted:** June 27, 2024; **Published:** July 18, 2024

Keywords: Accounting Items, Coherence in Management Actions, Integrated Information System, Substantive and Formal Coherence Accounting Items.

Coherence Foundational Element of Effective and Efficient Management

[To facilitate reading, I have decided not to include in the text, except in exceptional cases, the names of the scholars who have dealt with the subject under analysis since the bibliography is endless, I have opted not to indicate all the terms of the scholars in the text because this would have meant a continuous interruption of the reading of the complete sentence in which I express my thought.]

The conduct of effective and efficient management of a company presupposes, as a founding element, coherence of the management actions carried out. This coherence involves several sectors and issues, even very different. The lack of coherence in even one of these sectors can invalidate the management action and can make the management itself ineffective and inefficient. In extremely concise terms, it is possible to state that business management must be, to fully unfold its effectiveness and efficiency, coherent in the following issues:

Coherence Between Strategic and "Tactical" Actions.

All enterprises, whether large or small and medium-sized, implement corporate management based on a strategy which, in large companies, is made explicit by written programmatic plans, while, very often, in small and medium-sized enterprises, it is the result of strategic thinking that develops in the mind of the entrepreneur and takes structured form only partially or, even, only at the level of thought. Regardless of whether there is a formal structure of strategy and the drafting of an actual business strategic plan, strategy is therefore implemented according to a logic consistent with the thinking of the person developing that strategy. It is obvious how the strategy can lead to excellent results only if all the parts of the strategy itself are, among themselves, coherent; in addition, the strategy can achieve optimal financial and profitability goals only if there is coherence between the strategy and the actions that we might call tactical implemented by the corporate management. The lack of coherence between all the parts of the strategic plan and between the strategic plan and the so-called tactical corporate actions that are supposed to implement that strategic plan inevitably results in the impossibility of achieving excellent objectives in the financial and capital profitability sphere.

Another type of coherence is necessary for developing a management activity that allows for achieving excellent financial, income and capital objectives and the coherence between planned

actions and actions implemented. It is evident how the dyscrasia between programming and management activity implemented in the field results in the impossibility of pursuing the objectives that, at the programmed level, corporate management had indicated as goals to be achieved. The coherence between the planning and the actual management implemented by the company and, therefore, a necessary coherence to achieve the planned objectives. It is noteworthy that the lack of such coherence can have a twofold motivation: the absence of coherence may be attributable to misbehaviour on the part of company management, or it is also possible, and perhaps more likely, that the lack of coherence is due to market conditions that did not allow for the implementation of what was planned. In the first case mentioned above, it is evident how one must intervene in the behaviour of management and subordinates to understand how the obstacles that have prevented coherence between planned actions and actions implemented can be overcome. In the second case, on the other hand, it is often impossible or complicated to intervene on the causes of the lack of coherence between planned actions and actions implemented, a lack of coherence that results in a discrepancy between planned and actual values. When the latter occurs, it is evident how necessary it is to revise the objectives for the following period in light of what happened last year. Indeed, subsequent planning must take into account the reasons why the previous planning could not develop its full potential due to events that were not manageable by the company. Business flexibility is one of the fundamental characteristics for the enterprise to achieve excellent financial, income and equity objectives. For this reason, business planning for periods after the one closed and which showed it must implement the failure to complete the set goals in such a way as to take into account the variations that occurred during the last period. It is evident how it must develop a comprehensive analysis to understand the reason for the lack of coherence between planned actions and actions implemented. Frequently, it happens that the blame for this discrepancy is given to elements outside the management's ability to act when, in reality, it must seek the real motivation in the management's inability to implement to the best of its ability the strategies defined in the strategic plan and the company's operating budgets. Now from this analysis, it turns out that the lack of coherence between planned actions and actions implemented depends not so much on elements that are unmanageable by the company as on the inability of management to manage those elements that have changed over time; it is evident how the action to be implemented and identify the activities of erroneous managers and make them understand how to readjust the tactical steps to be carried out to achieve the company's strategic objectives.

Coherence Between what is Stated at the Managerial Level and What is Achieved at the Operational Level

Another coherence necessary for corporate managerial action to be said to be effective and efficient is that it is essential to be identified between what is said and what is achieved at the operational level. Very often, in corporate strategic lines, there are issues addressed by teams of managers who define the actions to be carried out at the operational level. Very frequently, there is a discrepancy between what is set out in the meetings in which these actions are identified and the steps carried out at the operational level. It is evident that as long as there is no coherence between what has been established to be done and what has been done, there will be ineffective, inefficient management action, incapable of achieving the objectives of excellence in the areas of profitability, assets and finances.

Coherence Between Contracts Entered into with Suppliers and Customers and Behaviors Assumed Regarding These Contracts

Another essential element for business management to be carried out efficiently and effectively and to achieve excellent financial, income and asset objectives is the implementation of coherence between what is stipulated in contracts made with suppliers and customers and behaviours assumed regarding such arrangements. The discrepancy between the agreements made verbally or in writing and the behaviours implemented within the scope of management action lead, inevitably, to the removal of the customer or supplier. When a customer or supplier notices that contracts, made verbally or in writing, are not enforced in all the rules established in the contract itself, they will inevitably walk away from the company that engages in improper behaviour. Removing such a person does not entail significant consequences if the customer or supplier has prominence die extreme irrelevance to the company. However, a situation in which the wrong attitude towards a small customer or a small supplier is implemented towards many customers and many suppliers is persistent. This leads to highly relevant consequences at the enterprise's management level that implement behaviours that are not appropriate to what was established in the contracts concluded with the subjects as mentioned above. Then, suppose the customer or supplier is significant for the company's economy. In that case, it is evident how behaviour inconsistent with what is contractually established with such a subject entails inevitable highly negative consequences on the company's financial, income and asset situation. Coherence between what is set by the contracts, formal or informal, entered into with supplier customers and what is implemented by the company concerning these subjects is the foundational element so that management can take place smoothly, with an inevitable flexibility that, however, does not infringe on the rights of customers and suppliers who have relations with the company itself.

Coherence Between Company Contracts Made With Workers And Company Behavior Implemented Towards them

It Must Also Identify Coherence Between What T is Stipulated in Contracts Made With Workers or Their Representatives, i.e., trade unions, and the corporate behaviour implemented toward employees working within the corporate structure. It is easy to understand how implementing a policy that differs from what is stipulated in contracts, whether valid at the national level or valuable only at the company level, entails inevitable negative consequences on the performance of work and, consequently, the performance of company management activity. This is not the place to address the legal implications that might arise because of a lack of coherence between corporate behaviour and a valid labour contract within that company. It is only appropriate here to point out that among the various types of coherence that necessarily, must characterize corporate management, there is also that relating to the contracts entered into with workers and the company's behaviour concerning everything governed by the agreement. The lack of such coherence can only bring severe consequences on the management activity and decision-making process that managers must implement, with easily predictable implications for the company's achievement of financial, income and asset results.

Coherence Among the Actions of Managers Belonging to Various Business Sectors

For corporate management to be carried out to achieve the strategic goals and short-medium term objectives that the company has set out to accomplish within the framework of the corporate mission, multi-year strategic plans, and annual budgets, it is necessary for

there to be perfect coherence between the actions of managers belonging to various corporate sectors. As is well known, the company is a system, i.e., a set of interrelated elements. Each sector, in general, is distinguished by a team of managers who work only within the framework of the sector to which they belong. All this is right if the various sectors act consistently with each other. In reality, this need can be implemented only if the multiple sectors operate in cooperation and coordination with each other. Think, for example, of the case where a commercial sector manager does not coordinate with managers of the management control sector that provides them with the data on which it must make decisions. It is evident how a lack of cooperation between these two types of managers would cause severe problems in the coherence of the overall business strategy and, consequently, the coherence of business management. It is expected that some sectors have less need for mutual collaboration. Consider, for example, the transportation and logistics sector and the sector concerned with accounting, particularly with sales invoice recognition. These two types of individuals operating in the two sectors have little need to collaborate to achieve overall coherence. In such situations, however, some sectors must coordinate and team for the company management to be coherent. Such coherence is a foundational element so that it can achieve the multi-year strategic plan, the corporate mission, and the goals set to be completed in the short term smoothly and flexibly. Each sector is managed by a manager who must have the ability to make his subordinates work interrelatedly with the managers and their subordinates in the sectors that, directly or indirectly, must coordinate so that business management can take place efficiently and effectively. It is, therefore, the responsibility of senior managers to ensure that the coherence between reactions of managers belonging to the various business sectors is implemented and is increasingly developed without unilateral management actions of the different sectors almost implemented in competition with other business sectors, the occurrence of such a situation leads the company to organizational chaos which, directly, negatively impacts the company's profit, financial and capital performance.

Coherence Between the Action of Various Managers and Action Implemented by Subordinate Employees Belonging to a Business Sector

In the point previous, we had the opportunity to point out the need for coherence between the actions carried out among managers of one sector and the activities carried out by managers of other sectors related to the first, either directly or indirectly. And it is evident how the need for coherence is amplified if we consider the operational activity carried out within the same business sector. The various managers and subordinate employees belonging to the same business sector must carry out their activities in a manner consistent with the actions carried out by their colleagues. What seems a matter, of course, in reality, may not be so if, among the members of a sector, interpersonal or professional problems arise, hindering the smooth progress of the sector's work. In this case, it is the responsibility of the highest-ranking manager in the sector to see to it that these obstacles are overcome and that the actions carried out by all employees in the sector are implemented in a consistent manner and not with different optics and almost with a desire to interfere negatively in the work of other individuals, out of personal or professional animosity. The coherence of the various management actions of all employees, therefore of a business sector, is fundamental to carrying out the entire business management activity to achieve the planned performance. Suppose this is not possible because of insurmountable obstacles. In that case, it will have to be the highest-ranking manager in the sector who will have to find practical solutions so that these obstacles

are identified and brilliantly overcome. Otherwise, the lack of coherence in the actions carried out by individual collaborators will cause The creation of grey areas within the management activity which, added to the usual problems that every company has to overcome by carrying out its management activity, will lead the company down an impassable road that eventually sees the company liquidation.

Coherence Between What is Reported in Financial Reporting and the Company's Economic-Financial Reality

The coherence between what is reported in Financial reporting and the economic-financial reality of the company represents the fundamental basis for communication intended for third parties to be defined as truthful and correct. In addition, it should remember that it must characterize financial reporting not only by truthfulness and correctness but also by understandability since, in the absence of this postulate, the message contained in Financial reporting cannot be interpreted by the user for whom it is intended. The coherence between what is reported in Financial reporting and the economic and financial reality of the company that Financial reporting is intended to summarize represents the element based on which it can identify true or false Financial reporting. In this regard, it should note that the lack of coherence between the data reported in Financial reporting and the company's reality can have three types of consequences: internal management consequences, civil law consequences, and penal consequences. Concerning the last two categories of implications, it is sufficient to recall that they are incorrect and untrue. Understable Financial reporting can have civil law consequences or penal consequences depending on whether or not there is a desire to mislead third parties to obtain an 'unfair personal profit by a series of subjects among whom we can recall the members of the board of directors, shareholders, and other persons that each national legislation identifies in a differentiated manner. The civil law consequences are summarized in the possibility that if financial reporting inconsistent with the company's economic and financial reality will be challenged. There will be a civil lawsuit to face, at the end of which, if the company loses the case, there will be to redo the financial reporting in a correct and truthful, as well as understandable manner, and, usually, pay all court costs. Suppose the lack of coherence between the content of the financial reporting and the company's reality falls within the criminal sphere. In that case, the penalties can go as far as imprisonment of the person who prepared the financial reporting and profiting unfairly from preparing false financial reporting.

And it is noteworthy that the lack of coherence between what is reported in financial reporting and the company's economic and financial reality can also have consequences within the company itself. Even though it may seem absurd, companies that prepare incorrect and untrue financial statements often use that data to carry out financial reporting analysis and monitor the performance of the company's income, financial and asset situation. Moreover, since the pool of accounting data in financial reporting and, in part, the same as the pool of accounting data used to implement management control, there is an absurd situation in which incorrect values are used to determine product costs, segment costs, departmental costs, etc. intended to make decisions by managers. It is evident that if Financial reporting is not consistent with the company's economic reality, it should make all managers' decisions the basis of the data that illustrate the company's business economic reality. This means keeping two types of accounts: one for incorrect financial reporting and the other for correct accounting records used to trigger business decision-making. It is unnecessary to point out how dangerous this strategy is since,

following a visit by law enforcement agencies intended to search for tax evasion or following a visit by the agency that in the various nations administers taxes, The double accounting would immediately leap to the eye and would constitute indisputable evidence of the preparation of untrue and incorrect Financial reporting, subject to civil or penal legal sanctions.

Coherence Between the Content of Sustainability Reporting and Actions Implemented by the Company to Improve Sustainability

Just like the relevance of the coherence between the content and substance of Financial reporting and the company's income, financial and asset reality, the coherence between the range of sustainability reporting and the company's behaviour towards sustainability in a global sense, explicitly referring to the report as mentioned above is fundamental. The sustainability report, if prepared according to principles issued by globally recognized national or international bodies, always requires an indication of the starting situation and a list of the actions intended to be carried out to improve sustainability in its various facets. It also has to appear in the sustainability report to summarise the activities carried out during the period so they can compare them with the objectives planned for that period. The deviation between goals stated the previous year and the objectives achieved at the end of the administrative period identify sustainability variances that should be the subject of detailed analysis by the sustainability report. This should be the case both in the hypothesis that the difference between the achieved and planned goals was negative and in the opposite case. The coherence between the sustainability goals one set at the end of a given period and the actions carried out in the following period that should have as their goal the achievement of the corporate sustainability goals outlined in the previous year's report is a fundamental element for the sustainability report to be said to be true is correct. If already concerning Financial reporting, one can see many discrepancies between the company's economic, financial and asset reality and the data expressed in Financial reporting; in sustainability reporting, there are very frequently huge differences between goals realized and achieved and planned goals the previous year. This, however, does not jump out at the eye of even the most analytical reader since this is often disguised by the so-called greenwashing policy, the real scourge of the last ten years. Frequently, companies adopt behaviours passed off as sustainability actions that have only the face of sustainability but the substance of non-sustainability. Think of the case of the continued use in labels of the colour green or blue, in use, again in labels, of flowers, waterfalls or white clouds and the use of words, on the product or in product advertising that calls to mind eh care of the planet and sustainability in general. When the company implements the policy of Greenwashing, all this is but a Windows dressing and therefore represents only a make-up consisting of words, terms, photos and colours that, directly or indirectly related to the product, make the consumer misled about the actual sustainability action carried out by the company. Research conducted last year by the writer shows that this policy is prevalent among companies, regardless of size. The lack of coherence between the content of sustainability reporting and the actions implemented and aimed at improving sustainability undermines the company's credibility, at least in a sustainability issue. As is the case with financial reporting, concerning sustainability reporting, the lack of coherence between the report's content and the actions implemented to improve sustainability only undermines the credibility of companies if someone notices this discrepancy. Reading sustainability reports of well-known companies, one often sees that actions or policies are mentioned in the news that, in reality, are not implemented. Often policies towards workers

or women are mentioned that are known not to be implemented within the company; one reads about activities aimed at improving the environment when the reality shows utterly different behaviour, and, very frequently, one notices how the sustainability report is a report that is highly polished from a formal point of view but that, in the area of the problem of substance, shows gaps especially if the scholar goes to the field and inquires specifically about the actions carried out by the company in favour of all the sections of sustainability mentioned in the sustainability report. The lack of coherence between what is outlined in the sustainability report and the actions carried out in favour of sustainability cited in the news can cause severe image damage to the company if a third party points out these discrepancies. It is up to the company to ensure that the sustainability report identifies a correct and truthful informational statement that reflects precisely what the companies have done and are doing in favour of sustainability at that time.

Coherence Between Actions Carried Out by Management and Actions Carried Out by Hierarchically Subordinate Workers

Another area where real coherence is needed between what has been agreed upon and what has been carried out within the enterprise concerns the relationship with employees and collaborators who, although not employees, cooperate with the enterprise under other types of labour contracts. Coherence between what is agreed upon and what is carried out is essential so that relations between company workers can be relaxed and fruitful. We have discussed this issue in the previous point but, what is relevant, is that alongside this type of coherence, there is another peculiar coherence that always concerns the world of work. For the goals that the company sets out to achieve to be achieved, there must be perfect coherence between the actions carried out by management and the actions carried out by workers hierarchically subordinate to it. The term management is perhaps inappropriate, but it provides an accurate overall view of the problem. Maybe it is most correct to use the term manager, understood as the one or she who has to manage resources and whose work must be perfectly consistent with the actions carried out by hierarchically subordinate workers. A mismatch between the actions carried out by managers and the work carried out by subordinate employees causes consequences in the sphere of managerial activity that, directly or indirectly, limit the effectiveness and efficiency of business management and lay the groundwork for the failure to achieve the goals that the company had planned to achieve. And it should note that this consideration, which seems obvious, very often does not find operational application in the enterprise because of the lack of involvement of subordinate workers in managers' decisions. The coherence between actions carried out by managers and actions carried out by hierarchically subordinate workers, whether employees or non-employees, requires a widespread widespread conception among managers of the concept of disclosure of information that is needed to understand where the company wants to go and what goals the company wants to pursue. Of course, depending on the situations and work contexts, the dissemination of information may be total or partial. But there is no doubt that the manager who manages labour resources must involve those resources in the objectives that the manager is to achieve and, for subordinate workers to understand the relevance of the work they do entirely, not only must they be made aware of the objectives that it must achieve their manager to whom they report but, alongside this, employees should be given an overview of corporate planning so that all workers fully understand the role they play in corporate management. The lack of coherence between the actions carried out by a manager managing labour resources and activities carried out by hierarchically subordinate workers or external collaborators operating in the manager's work area

causes hazardous consequences and at the level of smooth and flexible performance of corporate management and, In addition to this, it also causes, very frequently, the inability to achieve micro objectives or macro objectives that the company has set out to pursue.

Coherence Between Corporate Mission and Management Activity Carried Out by the Enterprise

Another type of coherence that is necessary for the business activity to be carried out in such a way that it pursues the ultimate goals that the enterprise sets out to achieve is the coherence between the corporate mission and the management activity carried out by the enterprise. Defining the corporate mission is the first step to implement in establishing the enterprise. So long as the task is not changed, the mission initially identified must be the north star to which management decision-making must refer at all times. If an extreme and obvious coherence is absent between the corporate mission and the management activity carried out by the enterprise, such as the corporate mission can never be achieved. Suppose this attitude of the management and the workers carrying out the management activity of the enterprise is desired by the enterprise's top leadership. In that case, it is evident that the mission stated in the articles of association of the enterprise no longer represents the fundamental mission of the enterprise; it is necessary to revise one's assignment and identify the new task to be pursued.

Coherence Fra Azioni Che Incidono Nel Breve Termine E Azioni I Cui Risultati Possono Essere Constatati Solo Nel Medio E Lungo Termine

The coherence of actions affecting the short term and management activity whose results can only be ascertained in the medium to long term is also a fundamental element of management activity is to be carried out effectively and efficiently to achieve excellent objectives of a financial, income and asset nature. Acting by carrying out actions of any character having as a time horizon the short term, without having at all a medium-long term vision, causes inevitable problems, especially of a financial nature, which can also involve the company's profitability and asset management. All actions and decisions taken at the level of company management must always have in mind the consequences that the decided management action has in the short, medium, and long term. Exclusive focus on the short term, without vision in the medium and long term, is as bad as a vision only in the long term without reference to what causes a given decision in the short term. It is clear that if the short term is not overcome in the long term, the enterprise cannot get there but will be destined to be liquidated quickly. Therefore, business management and decision-making must be implemented, considering the consequences of each action taken in the short, medium, and long term. Only in this way can the company's mission, multi-year strategic plans, and annual planning be carried out coherently, causing the company to brilliantly overcome the short term and arrive in the long term to achieve excellent overall profitability and financial and capital objectives. If the above coherence exists, such excellence will already be seen in the short term since the short term is merely the first part of the medium and long term. The coherence fractions that affect in the short term and decisions whose results can be seen only in the medium to long term, therefore a fundamental element for the enterprise to live according to the criterion of the economy, which requires flexibility, autonomy Virgo that is, and durability. Durability is ensured only if there is perfect coherence between actions that aim to achieve objectives in the short term and activities whose results can be quantified only in the medium and long term

Coherence of Terms Used to Draw Accounting Documents and Management Reports

The coherence that represents the fundamental element for management actions to enable the achievement of excellent objectives in the short and medium, and long term, at both the income and financial level and in the equity end, also includes the need for this characteristic to be present in the accounting items used in the documents, of whatever nature, used to make decisions as they contain data necessary for the production process to be activated and conducted efficiently and effectively. In this issue, there is a need for coherence of the items used in all accounting documents intended for external use and in all documents used within the enterprise by management. It should emphasize that this field's coherence must be formal and substantive. Items must have characteristics that prevent, for example, one term from identifying more than one object or several words from placing only one thing. Of course, in addition to this formal coherence, there must be a substantive coherence between the various words in the sense that the multiple items must have a coherence of substance in the determination of their values concerning all the other items in the accounting documents based on which management decision-making is structured. For a more in-depth discussion of this type of coherence, we refer the reader to the next section

The Formal and Substantive Coherence of the Terms Used to Prepare Accounting Documents and Management Reports Intended for Users Outside or Inside the Company

The last type of coherence which is considered indispensable to exist in the corporate sphere so that management can be carried out effectively and efficiently and the enterprise can achieve, excellently, the planned objectives of a financial, income patrimonial nature concern accounting items. The entire decision-making process leading to the conduct of internal business management and the whole process of external communication intended for third parties is based on the preparation of accounting documents of various kinds, which delve into the company in its entirety or delve into the company in a parcelled manner, analyzing, specifically, individual products, individual sectors, individual branches of the company and so on. In general terms, it can say that all documents that form the basis of business decision-making must be marked by coherence, formal and substantive, of the accounting items that make up these documents. In this regard, it should be pointed out that there cannot be total coherence between the accounting items of copies intended for external use and the accounting items of documents designed for the company's internal management. This is because Financial reporting, integrated reporting, reports attached to Financial reporting, and in general, all sustainability reports of whatever nature, identify documentations that derive from the issuance of legal norms or general accounting principles issued by different bodies. Even if we compare financial reporting and sustainability reporting, the bodies responsible for regulating these documents are national and generally international and, therefore, supranational. It would be impossible to make the accounting hit em contained in these externally intended documents have an extreme coherence both from a . formal and substantive point of view since the origin of the documents does not allow the application of such coherence. Externally intended documents, therefore, must be interpreted in their own right knowing that the accounting items contained in such reports may be inconsistent with each other, i.e., possible that, in the various documents, a single item is identified by several things and, on the contrary, it is also possible that several items identify a single entity. Also, about substance, the manner of valuation of various accounting items may be different for reasons of accounting logic that necessarily must be applied, in particular, to financial reporting.

Thus concerning the documents that constitute externally intended reporting, It can say that it is practically impossible for all accounting items contained in such documentation to be characterized by intrinsic formal and substantive coherence.

Quite different is the case with accounting items contained within documents intended to support the company's internal production process. Very often, even in articles or books by authoritative authors, one notices how, concerning such documents, a distinction is made between the so-called Financial reporting analysis and the so-called management control. From reading such articles or books, one can see how one perceives that, according to the author of the article's book, the two issues are separate even though they both contribute to corporate management decision-making. Nothing is more wrong since all decisions of internal corporate managers must be based on a single information system which, although made up of several parts, must be interpreted as A set of interrelated factors, that is, as a whole that results from several functions where each element is connected and interrelated to every other aspect.

The in-depth analysis of the company's global situation, understood in its entirety through comparison with multiple aggregates of balance sheet and income items that can deduce from the financial reporting for the year, is a sine qua non-condition for management to be defined based on the company's situation and not on the wave of emotions more or less unconnected to the business reality. While the analysis of financial reporting values identifies a fundamental step to ensure coherence between choices/decisions and the company's equity, income and financial situation, this in-depth analysis is insufficient to ensure proper management conduct.

The objective of financial reporting is to analyze the economic-financial-equity results of the corporate entity understood as a whole.

As is evident, such analysis, while on the one hand, represents a necessary condition for the company to be managed, on the other hand, identifies an insufficient need for entrepreneurial management to be carried out in full awareness of what is happening in the corporate environment.

To manage businesses consciously, it is necessary to understand that financial reporting, while relevant and necessary, is marked by two characteristics that, at the same time, represent its main strengths and its most relevant "limitations."

- First, financial reporting aggregates values at the enterprise level. The enterprise is interpreted as a single entity, and consequently, accounting data cover the entire business structure;
- Second, financial reporting contains only final values. By definition, it can include no forecast and planned values in such a document (although some of the balance sheet and income data are influenced by considerations inherent in the company's future (think, for example, of depreciation, ending inventory, provisions for future risks and charges, etc.)).

To maximize managerial effectiveness and efficiency, it is, therefore, essential, on the one hand, that choices be based on analytical data concerning individual objects of interest (e.g., products, departments, etc.) and, on the other hand, that management be able to rely not only on actual data but also on planned values, without which decision-making takes, dangerously, paths not

consonant with real business needs.

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

To deepen the understanding of such "corporate cells," financial reporting demonstrates the "inherent" limitations of an information tool whose primary objective is to highlight the enterprise's financial, asset and income situation as a single entity. Management control overcomes such theoretical/operational limitations and enables the in-depth study of "fractional" enterprise management.

The study of the individual products placed on the market of the enterprise, of the respective departments constituting the enterprise and of the different activities developed in the entrepreneurial sphere include only some of the primary objectives of management control. Such a system, with its logic of planning side by side with the accounting of values, makes it possible to channel entrepreneurial energy on the road to the constant increase of the company's overall profitability and the search for the financial and equity balance of the company itself.

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

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

In recent years, given the complexity of the economic environment in which businesses operate and the increased frenetic nature of markets, budgets and the concept of planning itself has been the subject of questioning, by both scholars and operatives, as to their actual usefulness in a historical moment marked by the fundamental impossibility of specific "forecasting" (assuming it can be said that, in other historical epochs, this was possible).

In times of uncertainty, the management of a business must, on the other hand, be based not on improvisation but on a set of cognitive elements that enable managers to develop decision-making in full awareness of the income, financial and equity consequences associated with such decisions. Undoubtedly, the information drawn from annual financial reporting cannot be considered exhaustive since the conciseness, the precision implemented at the expense of timeliness and the inclusion of exclusively actual values make this document insufficient for the information needs of business managers to be said to be fulfilled.

Such information - concerning which it must ensure timeliness even at the expense of a specific (limited!) degree of accuracy - must also enable, among other things, the evaluation of managerial performance.

Such information data are essential so that promotions and rewards are understood broadly, and sanctions are attributed to the various managers in a way that ensures fairness and transparency. In this regard, it must emphasize that the responsibility assigned to the multiple managers must always be accompanied by decision-making levers on which the individuals must be free to act.

The assignment of responsibility and the associated allocation of management levers require, implicitly, that the accounting elements on which individual managers can work are fully known and, second, that these values are correctly attributed to the individuals directly responsible. It is evident how these objectives can be achieved only if the information support can promptly provide analytical information concerning individual areas of responsibility.

The realization of management effectiveness and efficiency requires that the system orient its structure toward objectives in tune with the medium- to long-term strategy. Short-term planning must therefore be, constantly and in all its parts, interrelated in a univocal manner with medium-term planning.

It is generally posited that management control represents a decision-support system and not a set of procedures with the primary objective of inspecting and verifying managers' performance.

This statement is only partially true. A "complete" control system (and, later, it will understand the reason for using this term is always characterized by the phase of comparison between expected results and achieved results). From such a comparison, there is inevitably an evaluation of management performance.

Therefore, while it is true that the control system should not be experienced as a means of inspection, it is equally valid that identifying variations between set objectives and achieved results inevitably involves a moment of verification.

Regarding the issue of the correlation between the concept of control and the activity of support and inspection, it is considered relevant to emphasize how the implementation of the integrated analysis/programming system can be successful and, consequently, succeeds in achieving goals of efficiency and management effectiveness only if the entire management shares the aims of the project and perceives the whole information system, as a tool not punitive but rather as an aid to business management. In this sense, it can, indeed, be said that the integrated analysis/programming/control system does not identify a set of inspection and verification procedures. This, however, does not detract from the fact that, inevitably, within the framework of an informational structuring such as the system proposed here, there must be a phase in which expected results and achieved objectives are compared without, of course, all this being implemented in a spirit of "criminalization" toward the action carried out by individual managers.

In addressing the problem of control, many authors erect a virtual "wall" between financial reporting analysis and information structuring connected with individual analytical objects such as products, departments, etc. As can be seen from what has been illustrated so far, it has been deemed appropriate to overcome the theoretical doctrinal position characterized by the interpretation of management control as a system "partially detached" from the set of information, accounting and otherwise, connected with the analysis of the company considered in its entirety and unity. This position is not reflected in corporate reality as the management of a company/company perceives the need to be able to rely on a range of information that, globally, can provide valuable tools for improved decision-making. In this sense, interpreting management control as "something separate" from the set of all other company-wide information media and, as such, difficult to integrate with them means setting the stage for:

- The creation of duplicate information;
- The lack of information regarding specific areas not covered explicitly, by the individual parts of the broader information system that is also fractionalized in organizational terms;
- The creation of a self-feeding information over-structure in terms of the production of data, accounting and otherwise, which are often useless and, therefore, misleading;
- The formation of organizational figures who, potentially, may come into conflict due to their different roles within the corporate organization.

From this, it follows that the system supporting managerial decision-making cannot be limited to so-called management control but should be interpreted as an integrated system of analysis and planning. This view, of course, does not prevent management control from being interpreted as a part of the broader corporate information system. Still, it avoids the danger of considering the latter pre-eminent over any other form of intra-company communication.

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

The above considerations do not prevent us from pointing out that business managers need additional and differentiated information from what a system focused exclusively on financial reporting for the year can offer. This has already been emphasized several times, and therefore, it is believed and established.

The perception of the unity of the information system, on the part of both the users of the information and the managers of the system, guarantees the maximization of business performance since only the complete view of the business situation (understood both as a unity and as a summation of micro-sections) allows decisions to be made that are most consistent with the actual business situation. While it is detrimental to have only a global view of the company without being able to rely on information regarding individual products, activities, departments, centres, etc., it is equally dangerous to base management actions solely on knowledge of parcelled information.

This means that the success of an information system can be guaranteed only if, on the part of all managers, it is interpreted as a unicum, within which it is possible to identify various areas of focus of interest without any separation between "sections" of the system. Therefore, unicity does not characterize only the company but identifies an element that must also distinguish the information system on which the entire management decision-making process is based.

It must therefore consider the creation of an efficient and effective integrated information system in the corporate environment an indispensable element if the management activity of the enterprise is to achieve, in an excellent way, the planned financial, income and asset objectives.

For this integrated information system to be effectively integrated, perfect coherence among the accounting items contained therein is necessary. Typically, to create an integrated information system

with a formal and substantive coherence of accounting items, one first reclassifies financial reporting that includes perfectly coherent accounting items within it. This requires that balance sheet reclassification and profit and loss reclassification be done in light of this need for coherence of the accounting items used. This principle may seem obvious, and, mistakenly, one may think that the balance sheet is reclassified according to a specific criterion chosen by the company and the profit and loss are re-aggregated without, at all, taking into account the concepts contained in the aggregates provided in the reclassification of the balance sheet. And note how this happens by looking at the company's reality and reading texts or articles. Very often, an author addresses the two issues without perceiving the need for coherence between the two documents at the level of formal and substantive coherence of the aggregates provided by the balance sheet and profit and loss reclassifications.

For this reason, we propose an integrated information system characterized by formal substantive coherence of all accounting items used in internal company documents. As far as the balance sheet and profit and loss are concerned, the reclassifications proposed according to our theory of the integrated information system are as follows, and, as the reader will be able to notice, all the aggregates of the balance sheet are perfectly consistent with the totals provided for in the reclassification of profit and loss. In summary terms, we can recall how the integrated information system, marked by total and complete coherence of the accounting items contained in the entire system that is created to support managerial decision-making, provides for the following reclassification years of balance sheet and profit and loss:

Reclassification Scheme Balance Sheet/Budget Balance Sheet Implemented as Part of an Integrated Information System

ASSETS	31/12/N	LIABILITIES AND EQUITY	31/12/N
SHORT-TERM ASSETS		SHORT-TERM LIABILITIES	
1. Immediate liquidity		1. Short-term financial liabilities	
2. Deferred liquidity Trade receivables Financial liquidity Tax-deferred credits Non-characteristic deferred credits		2. Short-term tax liabilities	
3. Availability (inventories)		3. Short-term non-financial liabilities	
4. Short-term assets non-characteristic			
5. Advances to trade suppliers			
LONG-TERM ASSETS		LONG-TERM LIABILITIES	
1. Long-term tangible assets		Long-term financial liabilities	
2. Long-term intangible assets		Long-term tax liabilities	
3. Long-term credit assets * Trade accounts receivable * Financial assets * Tax assets * Non-typical accounts receivable		Long-term non financial liabilities	
4. Long-term assets non characteristic		EQUITY	
Stand-alone items		Stand-alone items	
NET ASSETS		BALANCE TOTAL	

Reclassification Scheme Profit and Loss/Budget Profit and Loss Implemented as Part of an Integrated Information System

1. Characteristic
Characteristic Revenue
Cost of Sale (production costs)
Gross Profit
(Administrative Costs)
(Commercial Costs)
(Research and Dev. Costs)
(Overhead cost)
Gross operating Profit (GOP)
Non Characteristic
Revenue from asset non characteristic Management
(costs from asset non characteristic Management)
Financial management
Operating Profit
(financial management costs)
revenues from non-operating activities by definition
(Cost from non-operating activities by definition)
Ante tax Profit
(Tax))
Net Profit

As can be seen from the titles of the tables above, reference is made to both the balance sheet and profit and loss, as well as the equity and income budgets. That is because, of course, if a certain reclassification is adopted for the two Financial reporting accounting documents, it must also use the same classification scheme used concerning the preparation of budgets related to business planning.

To demonstrate the inherent coherence of all accounting items contained in the above two documents, the contents of the various aggregates provided for in the reclassifications of the balance sheet and profit and loss, respectively, are given:

Definition of the Aggregates Provided in the Balance Sheet Reclassifications:

- Immediate liquidity includes everything that is already cash and cash equivalents;
- By definition, deferred cash includes only and exclusively short-term receivables. The subdivision of this aggregate into four micro-aggregates (commercial, financial, tax and non-characteristic) is necessary to determine a series of income and financial ratios: deferred commercial liquidity substantially includes all short-term trade receivables net of the allowance for doubtful accounts; deferred financial liquidity includes all short-term financial receivables; tax-deferred liquidity includes all short-term tax and social security/assistance receivables; non-characteristic deferred liquidity consists of all future revenues (realisable within 12 months), not already included in previous aggregates, which have the characteristic of not being considered part of the company's typical operations. This is the case, for example, of

receivables related to the sale of long-term assets. It is evident that this receivable cannot be included in the typical business activity (otherwise, the receivable would be from customers). For this reason, it can be included in this sub-aggregate;

- Short-term assets non-characteristic comprise all accounting items held for capital purposes such as securities/shares held with a view to their sale within the next financial year;
- Availability equivalents are the total inventories of the enterprise;
- Tangible long-term assets comprise everything that will provide the company, through the start-up of the production process, with income in the long term and that, at the same time, is endowed with physicality;
- Intangible long-term assets, on the other hand, consist of everything that will provide the company with long-term income through the start of the production process, but which, at the same time, is not physical;
- long-term credit assets include only and exclusively long-term loans. The subdivision of this aggregate into four micro-aggregates (commercial, financial, tax and non-characteristic by definition) is necessary to determine a series of income and financial ratios: the long-term commercial credit asset includes all long-term trade receivables net of the allowance for doubtful accounts; the long-term financial credit asset includes all long-term financial receivables; the long-term tax credit asset includes all long-term tax and social security/welfare receivables; the long-term non-characteristic credit asset by definition consists of all future revenues (realisable beyond 12 months), not already included in

previous aggregates, which have the characteristic of not being able to be considered as belonging to the company's typical operations. This is the case, for example, of receivables related to the sale of long-term assets. It is evident that, by theoretical definition, this receivable cannot be included in the typical business activity (otherwise, the receivable would be from customers). For this reason, it can be included in this sub-aggregate;

- long-term assets comprise long-term items that identify capital investments. Examples of such things may be civil buildings and securities and participations held not for speculative purposes but as a long-term investment in the company;

- Stand-alone items It should be noted that it is only in the context of the integrated information system that an element is highlighted that is, in fact, fundamental for the implementation of a correct balance sheet analysis and whose failure to be taken into account may lead to the determination of aggregates without financial significance. In addition to the aggregates indicated above, it is desirable to include a further category of items in the capital employed and in the total sources, defined as "stand-alone items", which identifies a set of items which, although they must be recognised in the reclassification for accounting balancing reasons, in reality, will not be transformed into future income or expenditure. An example of such an item is the amount of a provision for future expenses or tax provision that, following specific elements (e.g. court decisions, tax commission decisions, etc.). However, it cannot be eliminated from the accounts due to the principles of prudence and accrual; it can be reasonably assumed that, in the following financial year, it will be transformed, for accounting purposes, into an extraordinary item and not into a future expense or income (separate item in the assets). An example of an item that should be recognised in different entities in debt is the amount of the tax advance that exceeds the tax liability that can be offset and will be offset in the future. This amount does not identify a lower expense recognised in the financial statements (the debt has not yet been created), nor is it considered future income. For this reason, it should be recognised as a separate item in the reclassified balance sheet, an aggregate that, as noted above, is part of the concept of the net asset or net capital employed (i.e. the reclassified total assets).

- Short-term financial liabilities include all financial liabilities that will result in a cash outflow within one year; short-term tax liabilities include all tax and social security/social security liabilities that will result in a cash outflow within one year; short-term non-financial liabilities include all non-tax and non-financial liabilities that will result in a cash outflow within one year;

- long-term financial liabilities include all debts of a financial nature that will result in monetary outlays beyond one year; long-term tax liabilities include all debts of a tax and social security/social security nature that will result in monetary outlays beyond one year; long-term non-financial liabilities include all debts of a non-tax and non-financial nature that will result in monetary outlays beyond one year;

- Shareholders' equity is interpreted as the company's wealth that will essentially result in the company's final exit. It is only when the company is put into liquidation that equity will become a future output;

- Stand-alone items: see the considerations made about stand-alone items above. Naturally, items under liabilities are found in

assets: an example of such an item is the amount of advances from customers received in connection with a contract that is about to be terminated and for which no reimbursement is expected. This item will become a contingent asset the following year, and, therefore, there is and will be no monetary movement. For this reason, the item must be recognised in a separate aggregate, separate from the items that will undoubtedly become cash outflows or receipts in the future.

Definition of the Aggregates Provided by the Profit and Loss Reclassification:

- The characteristic revenue aggregate identifies the set of revenues from the sale of services on behalf of third parties carried out by the enterprises. This item contains the revenues related to the characteristic activity of the enterprise, which includes both the revenues from the sale of the finished product of the commodity subject to the production of the sale of the enterprise and the revenues from the sale of by-products which, although they often represent production waste for the enterprise, have a sales market as they represent raw materials for other types of processing . as an example think of wood processing. The creation of furniture and the sale of these for a company that works in the sector of the production sale of wood products represent sales revenues. The deal of sawdust means revenue from a by-product that is part of the characteristic activity as it derives from the company's typical activity. Also, in this case, the by-product for the company that produces furniture is waste becomes raw material for those who make the pallets

- The aggregate " cost of sale or production costs" includes a set of costs concerning which inputs are used in the production area of the enterprise.

This area may undergo further elaboration if it is necessary to satisfy particular informational purposes. As an example, it should be noted how, in the hotel business, the total aggregate "production costs" would be characterized by reduced information capacity resulting from the fact that the real value does not identify the operating area of use of the production factor. For this reason, generally, in this sector, the aggregate "production costs" is further broken down into Food & Beverage costs, Room Division costs, and MOD (Minor Operating Department) costs, on the pain of determining an aggregate without significance.

From these brief considerations, therefore, it can be understood how the aggregate " production costs " can be subject to further adjustment should the business reality within which it is analyzed require it.

Regardless of any further subdivision of subjective industry, it should emphasize that within this aggregate, it should include inventories.

The overall summation of all inventories would cause relevant information about the composition of production costs to be lost. For this reason, at least at an early stage of the analysis, it is appropriate to distinguish inventories into stocks of:

(a) raw materials; (b) work in progress; (c) finished goods and merchandise.

The profit and loss express its informative capacity; each aggregate of inventories must be treated differentially in accounting.

Concerning raw materials, it should note that from the algebraic sum of beginning inventories plus purchases minus ending stocks, we obtain the value of consumption of materials used in production.

Purchases and consumption provide helpful information in two different areas: the amount of purchases is used to address the financial side of management as the purchase is followed by payment. Therefore, insight and knowledge of purchases serve to determine the company's expenditure plan, which, in turn, identifies one of the stages of dynamic financial analysis.

Consumption, however, identifies a proper value for studying enterprise profitability from an. Economic point of view, such a value has a significantly higher informational capacity than simple purchases since, for example, an intertemporal comparison of raw material purchases or a comparison of planned purchases with purchases made may not suggest meaningful considerations.

It is possible that the increased purchase of raw materials is due, for example, to voluntary storage, which, not having caused consumption, has caused stocks to rise; a circumstance which, while from the financial side, may cause adverse effects on the amount of requirements, from the economic side, does not entail any consequences at the level of income management of production activity.

Conversely, consumption represents an entity of primary importance in the company's income-management sphere. A percentage increase in consumption relative to sales constitutes an element from which to draw a negative judgment on the utilization of the production factor in question. The increase may be due, for example, to the rise in purchase prices of the productive element, to greater consumption in quantity of the factor, or even to theft or spoilage occurring within the enterprise.

Regardless of the underlying cause, knowing the trend in consumption is always a critical piece of information. That is why the profit and loss are reclassified to "cost of sales and revenues," and raw material consumption is shown separately from all other items.

On the other hand, as far as work-in-progress inventories are concerned, the sum of these values and the total industrial costs, including raw material consumption, gives the finished product cost. Finally, the algebraic sum of the cost of the finished product and the beginning and ending inventories of finished goods or merchandise leads to the determination of the product's value, also referred to as the Cost of Sale.

To make the analysis of the Cost of Sale complete, it is desired to point out the correct reclassification of an item that often misleads the analyst: internal construction. Consider, for example, the internal structure of an industrial building. This value represents a positive component of income not because it constitutes revenue but because its role is to adjust the costs used in the internal construction contract indirectly. It is precisely the role of indirectly changing costs that causes internal construction, in reclassified profit and loss, to be taken as a deduction from the cost of the finished product.

Since the costs to be adjusted are, almost certainly, of a production nature, it should show internal constructions in the price of the finished product with a negative sign. Any other reclassification

must be considered incorrect.

In the business environment, however, inventories do not consist only of raw materials, work in progress or finished goods. There can also be subsidiary materials, consumables, semi-finished goods of purchase, semi-finished goods of production, and merchandise.

At the reclassification level, each of these categories of goods must, in essence, be treated according to its similarities with the three types of inventories considered above (raw materials, work in progress and finished goods). It must reclassify all stocks with similar characteristics following the same logic. Based on this consideration, and keeping in mind the economic/production peculiarities of each asset, it is possible to identify three significant groupings having similar characteristics:

- Ancillary materials, consumables and semi-finished goods of purchase present strong similarities with raw materials. Therefore, all these items should be reclassified following the same logic (opening inventories + purchases - closing inventories = consumption)
- Semi-finished production goods are simply products in progress that have reached a production step, such as to give "dignity" as an item with its individuality. Therefore, such goods should be reclassified as work in progress.
- Goods identify goods that, in the business environment, have not undergone physical processing. For this reason, it cannot include the costs inherent in them in the concept of "cost of the finished product" but, on the contrary, must instead, for all intents and purposes, participate in determining the cost of the product sold. Consequently, purchases and inventories of goods must be placed between the cost of the finished product and the Cost of Sale, alongside stocks of finished goods.

In Summary Terms, The Cost of Goods Sold is, Therefore, Structured as Follows:

- As far as administrative costs are concerned, it is evident, also from the wording used, that it should include all income items about the administrative sector of the enterprise in this annexe.
- All business costs incurred so that it can market the goods and services produced by the enterprise should be recognised in the business costs aggregate. Both fixed costs, such as advertising, and variable costs, such as, for example, commissions granted to representatives, are to be included here.
- The fourth aggregate of characteristic costs relating to research and development costs is not present in every industrial enterprise. This item is only to be found in enterprises where research is of considerable importance.
- The Overhead Costs aggregate must include those costs that the parent company charges, off the books, to branches or subsidiaries without receiving monetary compensation in return.

This transaction has no impact on the income and assets of the subsidiary or branch as it does not represent an operating transaction relevant to general accounting purposes. This is why these costs are only charged to the profit and loss reclassified for internal purposes without passing through the accounts of the subsidiaries or branches.

This transaction cannot, therefore, be regarded as unlawful and detrimental to the minority shareholders of the companies, as it only represents an accounting entry made for the internal valuation purposes of the general management of the branches/subsidiaries. Overhead costs are recognised exclusively in the financial reporting of the parent company, which will offset these negative income elements against the positive income elements arising from the participation in the other group companies. The parent company, however, generally considers that it has to 'pass on' these costs to the branches or subsidiaries because every activity carried out in the holding company is conducted so that the components or subsidiaries can, in turn, carry out their production activities. For this reason, the costs or part of the costs of the parent company are passed on to the branches or subsidiaries for accounting purposes. The most frequently used reversal parameter is the turnover of the components or subsidiaries. Departments with a higher turnover are charged with a high Overhead Cost as they are considered more likely to absorb increased costs.

The presence of Overhead Costs causes the non-reclassified financial reporting profit to differ from the reclassified financial reporting profit. The discrepancy between the two values results from the company's reclassified financial reporting of a cost that does not exist in the financial reporting output of the general accounts. From the above, it can be understood how it can include Overhead Costs if the analysis is performed within the company.

The knowledge of these "virtual" costs is not accessible to users outside the company who, in the hypothesis in which they wish to carry out the profit and loss analysis, will necessarily have to be content with recording in the reclassified document the costs present in the public financial reporting of the company under study.

-profit and loss revenues and costs represent the first aggregates of the non-characteristic area of the profit and loss accounting items. These revenues and costs identify the income and expenses arising from the short balance sheet assets and the long balance sheet assets included in the reclassified balance sheet according to the integrated information system. That is, these income and expenses identify the income and expenses arising from investments not characteristic of the business

-Financial revenues identify revenues from the company's receivables from third parties, i.e., interest income on receivables. This item also includes exchange rate gains since almost all legislation concerning financial reporting, and international

accounting standards IAS/IFRSI and US GAAP consider these differences to be financial items.

- Financial costs identify costs that arise from company debts. This item also includes exchange rate losses for the reasons outlined in the previous item.

- Non-characteristic costs and revenues by definition, which are often erroneously defined as extraordinary, identify income and expenses that have nothing to do with the company's core business. Examples include capital gains and capital losses contingent assets and liabilities.

- Tax costs identify taxes for the year that must recognise the gross of any advance payments made during the year. Advances to be recognised on the assets side of the balance sheet under tax receivables.

A careful reading of the explanation of the aggregates provided by the integrated information system of the reclassification of the balance sheet and the profit and loss highlights the perfectly logical, formal and substantial coherence between the accounting items used in the two accounting documents. At this point, it is necessary to recall how management needs another document that analyses the company in its financial totality to make correct, efficient and effective decisions. This refers to management's need for a cash flow statement that allows them to understand the dynamic equilibrium of the company's financial situation. The same considerations made above for balance sheet profit and loss intended for external use and documents intended for company management can also be made concerning this document. The cash flow statement regulated by international or national accounting standards or by the legal regulations of the various countries often contains discountable items that are inconsistent, neither at a formal nor at a substantial level, with the discountable items found in the profit and loss and in the balance sheet that form the financial reporting for external use. To claim perfect coherence between the various accounting items in these documents is asking a lot and is, in fact, impossible to identify. If, on the other hand, we refer to the cash flow statement, which the company should use for internal analysis purposes, it is necessary that, if the company adopts an integrated information system, this document presents aggregates that are perfectly coherent, from a formal substantive point of view, with the totals provided by the reclassifications of the balance sheet and profit and loss illustrated above. For this coherence to exist, the integrated information system proposed by the writer of this article must be structured as follows:

Cash Flow Statement Template That Can Be Used as Part of an Integrated Business Analysis

ACCOUNTING OPERATIONS WITH AN IMPACT ON CASH AND ACTIVE BANK	MONETARY REQUIREMENTS	MONETARY SOURCES	
MONETARY CASH FLOW			
(OR MONETARY CASH FLOW FROM			
CORE BUSINESS)			
LONG-TERM MANAGEMENT OF TANGIBLE AND INTANGIBLE ASSETS			
FINANCIAL MANAGEMENT			
PATRIMONIAL MANAGEMENT			
NON CHARACTERISTICS BY DEFINITION MANAGEMENT			
TAX MANAGEMENT			
TERMINATION BENEFITS FOR STAFF MANAGEMENT			
MANAGEMENT OF NON-TAX PROVISIONS FOR RISKS AND CHARGES			
EQUITY AND DIVIDENDS MANAGEMENT			
Δ CASH AND BANK			
TOTAL			

The aggregates shown in the cash flow statement illustrated above have the following meaning::

- Monetary cash flow represents the cash flow from the performance of the company's core business activities
- Under Long-term management of tangible and intangible assets, all purchases and sales of assets that are part of the long-term bacterial and intangible assets present in the balance sheet reclassified according to the integrated information system must be included
- In Financial management, all items related to the financial concepts used in the balance sheet and profit and loss reclassified according to the criterion of the integrated information system must appear.
- In the assets non-characteristic management, all monetary transactions that are part of non-characteristic management are to be included. This includes, for example, asset management and thus non-characteristic corporate investments such as civil buildings or civil land purchase and sale of securities, participations or capital shares.
- In the part defined as non-characteristic by Definition management, monetary items that by definition cannot identify must include characteristic transactions. Typical examples of this aggregate are the obtaining of monetary surpluses due to donations, for example
- In tax management, it shall enter all tax payments to the enterprise
- Termination benefits for staff management include payments to be made to employees at the end of their employment, i.e. termination benefits
- In the management of non-tax provisions for risks and charges, all outgoings made using requirements for future risks and expenses

are to be entered. These include, for example, the payment of retirement sums following collective labour agreements or company agreements entered into with employees, outgoings arising from the use of provisions for environmental recovery, the product warranty provision, the provision for customer bonuses and competitions, for the requirement for pending litigation, etc.

- It must indicate all income and expenses related to equity and dividends management

- The last item in cashflow management is Δ cash and bank assets, i.e. the difference between cash and bank at the beginning and the year's end.

Only the use of the cash flow statement structure illustrated above guarantees an integrated information system in which all items in the documents that concern the company as an entity are perfectly consistent from a formal and substantive point of view

A careful reading of the meaning of the aggregates included in the cash flow management prepared for the integrated information system makes it clear that there is a perfect coherence between the terms used in this document and the terms used in the balance sheet and the profit and loss three classified within the integrated information system that is the subject of our analysis..

To show the presence of perfect coherence between the items indicated in the three financial reporting documents, consider the following tables:

In the reclassifying balance sheet, profit and loss and cash flow statements illustrated above, one can note the constancy of specific terms. The terms 'financial', 'balance sheet', 'tax' and 'uncharacteristic by definition' deserve particular attention.

About the term 'financial', it can see that in the balance sheet, the profit and loss and the cash flow statement, there is an obvious correlation, which is illustrated in the following tables:

ASSETS	LIABILITIES AND EQUITY	Characteristic
SHORT TERM ASSETS	SHORT TERM LIAB.	Characteristic Revenue
1. Immediate liquidity	1. SHORT-TERM FINANCIAL LIABILITIES .	(Cost of Sale) (production costs)
2. Deferred liq. ● trade rec.		Gross Profit
● FINANACIAL LIQUIDITY.		(Administrative Costs) (Commercial Costs)
● tax-deferred credits		(Research and Dev. Costs)
● non-char. Deferred credits		(Overhead cost)
Inventories		Gross operating profit (GOP)
Short-term assets non char..		Non characteristic
Advances to trade supplier		Revenue from assets non ch. management
LONG TERM ASSETS	LONG TERM LIABILITIES	(Cost from assets non ch. Managemet
1. Long term tangible assets	1. LONG TERME FINANC. LIAB.	FINANCIAL REVENUE
Long term intangible assets	2. Long term tax liab.	Operating protif (RO)
Long term credit assets. ● trade accounts receivable		(FINANCIAL COSTS)
● FINANCIAL CREDITS.	EQUITY	Revenues from non operative activitie by definition
● tax credits		(Cost from non oper. Actitivies by def.)
● non-charact. credits		Ante tax profit
4. Long term non-charact. assets		(tax)
Stand-alone items	Stand-alone itesm	Net profit
NET ASSETS	BALANCE TOTAL	

ACCOUNTING OPERATIONS WITH AN IMPACT ON CASH AND ACTIVE BANK	MONETARY REQUIREMENTS	MONETARY SOURCES
MONETARY CASH FLOW		
(OR MONETARY CASH FLOW FROM CORE BUSINESS)		
LONG-TERM MANAGEMENT OF TANGIBLE AND INTANGIBLE ASSETS		
I FINANCIAL MANAGEMENT		
PATRIMONIAL MANAGEMENT		
NON CHARACTERISTICS BY DEFINITION MANAGEMENT		
TAX MANAGEMENT		
TERMINATION BENEFITS FOR STAFF MANAGEMENT		
MANAGEMENT OF NON-TAX PROVISIONS FOR RISKS AND CHARGES		
EQUITY AND DIVIDENS MANAGEMENT		
Δ CASH AND BANK		
TOTAL		

As seen in the balance sheet, profit and loss and cash flow statement, the term financial is unambiguous. From a balance sheet viewpoint, the concept of financial assets or liabilities is related to debts or credits granted and obtained for financing purposes. In contrast, from an income viewpoint, the financial sphere is related to costs or revenues concerning the credits and debts mentioned above. At the balance sheet level and profit-and-loss reclassifications, the term 'financial' therefore identifies an ideally identified area of business management: inherent in the values, assets and income, connected to receivables and payables granted or granted obtained for financing purposes.

The term 'assets' is also characterised by substantial homogeneity.

Let Us Observe The Balance Sheet, Profit and Loss and Cash Flow Statements:

ASSETS	LIABILITIES AND EQUITY	Characteristic
ATTIVO A BREVE	SHORT TERM LIAB.	Char. revenue
Immediate liquidity	1. Short term finan. Liab..	(cos of sale) (Cost of Sale))
Deferred liq.		Gross Profit
• trade rec.		(administrative costs)
• financial credits.	2. Short term tax liab..	(commercial costs)
• tax-deferred cred.		(Dev. costs)
• non-char. credits		(Overhead cost)
3. inventories	3. Short term non financ. Liabil.	Gross operating profit. (GOP)
SHORT TERM ASSETS NON CHARACT.		Non characteristic
5. Advanced to trade suppl		REVENUES FROM ASSETS NON CHAR.
LONG TERM ASSETS	LONG TERM LIABILITIES	(cost form assets non charact.)
Long term tangible assets	long term financial liab.	Financial revenues
Long term intangible assets		Operative profit (RO)
Long term credit assets		(financial cost)
• trade account rec.	Long term tax liab..	Revenue from non operative activities by definition.
• financial credits.		(cost from non op. act. By def..)
• tax credits	Long term non financial	Ante tax profit
• non-char. credits.		(tax)
4. LONG TERM NON CHARACT.	EQUITY	Net Profit.
Stand-alone items	Stand-alone itesm	
NET ASSETS	BALANCE TOTAL	

ACCOUNTING OPERATIONS WITH AN IMPACT ON CASH AND ACTIVE BANK	MONETARY REQUIREMENTS	MONETARY SOURCES
MONETARY CASH FLOW		
(OR MONETARY CASH FLOW FROM		
CORE BUSINESS)		
LONG-TERM MANAGEMENT OF TANGIBLE AND INTANGIBLE ASSETS		
FINANCIAL MANAGEMENT		
I PATRIMONIAL MANAGEMENT		
NON CHARACTERISTICS BY DEFINITION MANAGEMENT		
TAX MANAGEMENT		

TERMINATION BENEFITS FOR STAFF MANAGEMENT		
MANAGEMENT OF NON-TAX PROVISIONS FOR RISKS AND CHARGES		
EQUITY AND DIVIDENDS MANAGEMENT		
Δ CASH AND BANK		
TOTAL		

Here too, the concept of balance sheet assets appears to be characterised by a substantial homogeneity of meaning.

In the context of the balance sheet, short- or long-term assets identify any form of investment, lasting or not, implemented outside the core business.

One thinks, for example, of securities, participations and civil buildings, typical examples of short- or long-term asset items.

From an income perspective, capital income and expenses represent the income and expenses arising from the items indicated in the assets in short or long-term assets. Examples are rents receivable, dividends received, interest income on securities and depreciation of civil buildings. Here, too, the term 'assets' identifies a well-defined area: in the short or long assets, the equity side of these items is shown, while, in the assets' income or expenses, the income side of the asset as mentioned above items is recognised.

As can be seen, the term 'assets' also has an unambiguous meaning.

A similar situation arises concerning the term 'tax'.

Consider the reclassifying balance sheet and profit-and-loss statements, and cash flow statement:

ASSETS	LIAB. AND EQUITY	Charact.
SHORT TERM ASSETS	SHORT TERM LIAB.	Char. revenues
1 Immediate liquidity	1. Short term fin. Liab.	(cost of sale) (production Cost)
2. Deferred liq.		Gross Profit
• trade rec.		(administrat. Costs)
• financial credits		(commercial costs)
• tax-deferred cred.	2. SHORT TERM TAX LIAB..	(Deveolp. costs)
• non-char. credit		(Overhead cost)
3. inventories	3. Short term non fin. Liab.	Gross operating profit (GOP)
4. Short term assets non char..		Non charact.
5. Advanced to trade supp.		Revenue from assets non ch.
LONG TERM ASSETS	LONG TERM LIAB.	(cost from assets non ch.)
Long term tangible.	1. Long term finan. liab.	Financial revenues
Long term intangible.		(Operativ profit (RO)
Long term credit assets.		(financial costs)
• trade accounts rec.		Revenues from non operat. Act. By definit..
• long term financial credit		(Costi from non opera. Activ. By definition.)
• LONG TERM TAX CREDIT	PATRIMONIO NETTO	Ante tax profit
• non char. credit.		(tax)
4. Long term non charact. assets.		Net Profit.
Stand-alone items	Stand-alone items	
NET ASSETS	BALANCE TOTAL	

ACCOUNTING OPERATIONS WITH AN IMPACT ON CASH AND ACTIVE BANK	MONETARY REQUIREMENTS	MONETARY SOURCES
MONETARY CASH FLOW		
(OR MONETARY CASH FLOW FROM		
CORE BUSINESS)		
LONG-TERM MANAGEMENT OF TANGIBLE AND INTANGIBLE ASSETS		
FINANANCIAL MANAGEMENT		
PATRIMONIAL MANAGEMENT		
NON CHARACTERISTICS BY DEFINITION MANAGEMENT		
I TAX MANAGEMENT		
TERMINATION BENEFITS FOR STAFF MANAGEMENT		
MANAGEMENT OF NON-TAX PROVISIONS FOR RISKS AND CHARGES		
EQUITY AND DIVIDENS MANAGEMENT		
Δ CASH AND BANK		
TOTAL		

In this area, too, the term tributary appears to have an unambiguous meaning. Taxation identifies the financial asset/liability and income side of the tax relationship with the state or other public authorities.

From the above, it can see how, using the balance sheet and profit and loss reclassification schemes and cash flow statements proposed within the integrated information system, the perfect coherence of the items that identify the aggregates contained in the structures as mentioned above can be seen. As already pointed out, these schemes identify the three accounting components of financial reporting and the three documents that summarise corporate planning. These documents identify the overall business budget consisting of the balance sheet budget, i.e. the planned balance sheet; the income budget, i.e. the planned profit and loss and the planned cash flow statement. The structures that identify the actual and planned values are, of course, identical. The values contained in these schedules are different: in the financial reporting, the values are accurate, the three documents constituting the global corporate budget, and the items identify planned values.

The coherence, formal and substantive, of the items contained in the documents mentioned above, has already been demonstrated. The integrated information system, however, does not only consist of the papers constituting financial reporting and the overall corporate budget but also of the set of operating budgets of the company and the documents from the summation of which the set of values of the various operating budgets is determined. The sales budget, the commercial cost budget, the production cost budget, the inventory budget, the administrative and general cost budget, the rent budget, the financial expense budget, the investment budget, and other operating budgets that are characteristic only of particular categories of companies (for example, in the hotel business, the sports activities budget, the budget of any spa present in the accommodation business, etc.) represent the central operating budgets that can identify within a company. For these operational budgets to be drawn up, analytical documents must be drawn up concerning each item in the budget. The coherence of the accounting items used within the integrated information system must also involve all these documents. The concept of financial Hi, tax, equity, non-characteristic, etc., must therefore be the same in financial reporting, the overall corporate budget, and all the

documents that make up the operational budgets and the analytical documents that are used to draw up the corporate operational budgets. Interrelation requires perfect and total coherence, formal and substantial, of the meaning of every single item used in the documents, as mentioned above. Only in the presence of a perfect, formal and significant coherence of the items present in all these documents, whether they analyse the company as a single entity, or delve into the company in a compartmentalised manner, is a fundamental element for the integrated information system to identify real information support to the management decision-making process. Only in the presence of a perfect, formal and substantial coherence of the items used in all the documents mentioned above can it guarantee the identification of a truly integrated information system in which each part is connected and interrelated with every other part of the system.

Conclusions

After these brief observations concerning the coherence that must be present in various company sectors, not only accounting but also management, it can emphasise how, often, it can identify the areas in companies in which coherence, as indicated in the previous pages, is absent. It should note that the absence of coherence in even just one of the abovementioned sectors can have negative consequences on the company's management activities, decision-making and, consequently, company performance. Company management should therefore set as its primary objective the observation and analysis of the presence of coherence within the sector for which it is responsible and within the sectors connected to the industry for which it is reliable since the existence of coherence in a sector combined with the absence of coherence in sectors related to it inevitably entails extremely negative consequences even in the sector in which coherence is present as required. And to conclude, it should note that coherence between all the items used in the formal and structured documents used to activate the company's production process and constituting the integrated information system is an indispensable element for the decision-making process to lead to the achievement of the objectives that the company sets out to achieve. This coherence needs to be present not only in the formal documents but also in the informal conversations that the various subjects belonging to the company constantly have throughout the day. Suppose a specific term in structured and formal

documents to a concept coherent at a global level throughout the integrated information system but in informal conversations is interpreted differently by one or more individuals belonging to the decision-making chain. In that case, it is evident that the substantial formal coherence present in structured documents is insufficient to make company management efficient and effective and carried out excellently to achieve the profit, financial and asset objectives the company intends to achieve. Coherence must therefore be present not only in the structured and written documents but also in the informal conversations that the various company subjects have with each other several times a day. Only in this way can the company's management activities be carried out effectively and efficiently and the planned objectives be achieved or have a solid decision-making basis on which it can take the best decisions to achieve these goals.

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