Acta
Universitatis
Danubius

ŒCONOMICA

Valences and Informational Limits of the Financial Statements Prepared by Romanian Smes in the New Resilient Context

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Abstract: The analysis and interpretation of the financial-accounting information presented in the financial statements of an entity have played a special role over the years and are the subject of numerous studies and articles. The objective of this article is to provide an analysis of the potential relations between financial-accounting information and the visibility of SMEs' activity. In this context, we tried to show that: 1. the analysis of the financial-accounting information provided by SMEs is a relevant and effective tool for the social partners; 2. information provided by SMEs adds value to their activity in terms of sustainable development and social responsibility, in the context of the digitalisation of the economy and society; and 3. external communication of information provided by SMEs contributes to the reactivity of public authorities to their needs.

Keywords: SME, financial and non-financial information, financial performance, sustainable development, digitization, reactivity of public authorities.

JEL Classification: M41

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1. Introduction

Statistics show that SMEs are the most dynamic sector of a country's economy. In Romania, most of them have up to 50 employees and run businesses with less than 100 million lei annually.

According to statistics published by Eurostat, 99 out of every 100 companies in Europe are SMEs and 8 out of 10 new jobs are created in SMEs. Also, 9 out of 10 SMEs are part of the Micro segment.

Regarding the form of legal organization of economic entities, 85% of them are limited liability companies (LLC), 4% of companies are joint stock companies (SA) and 11% of SMEs have other forms of legal organization.

The report of the Committee on Industry, Research and Energy of the European Parliament shows that the EU's 24 million SMEs are "The backbone of the economy and before the pandemic generated more than half of EU GDP and 98.9% of EU non-financial enterprises are SMEs with a total of over 100 million employees".

The reality shows that both at national and EU level, SMEs are very complex and heterogeneous entities given their size and the great diversity of the sectors of activity they cover.

SMEs are vital to the development and resilience of European industrial value chains and contribute significantly to the functioning of local, regional and national economies.

SMEs play an essential role in the Romanian and European economy, defined by:

• Source of entrepreneurial skills;

• Creating jobs;

• Expanding individual economic opportunities;

• Social stability;

• Complementary role for large enterprises;

• Low requirements in terms of institutional construction.

According to the regulations in force, in Romania small and medium enterprises are defined as those enterprises that cumulatively meet the following conditions[1]:

a) have an average annual number of employees less than 250;

b) Realizes a net annual turnover of up to 50 million euro, equivalent in lei, or hold total assets that do not exceed the equivalent in lei of 43 million euro, according to

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[1] Law no. 346 of 14 July 2004 on stimulating the establishment and development of small and medium-sized enterprises, updated.

the last approved financial statement. Total assets are defined as fixed assets plus current assets plus prepaid expenses.

Romanian SMEs represent 99.91% of the total enterprises active in the national economy. Micro-enterprises have a share of 97.8%, small enterprises 1.7% and medium-sized enterprises 0.3%. Large enterprises, whose turnover represents approximately 42% of the national economy, have a share of 0.1% in the total enterprises.

2. Values and Limits of the Analysis of Financial and Non - Financial Information Provided by SMEs

2.1. Financial Information Provided by SMEs in the Financial Statements

The annual financial statements prepared by SMEs based on the provisions of the accounting regulations in force, approved by OMPF no. 1802/2014 are made up of the following components: abbreviated balance sheet (form F10), profit and loss account (form F20), information data (form F30) and the situation of fixed assets (form F40).

In developing them, SMEs provide basic information about their work, in the sense of falling into the category of the entities to which they belong (small, medium or micro-entities) and, as the case may be, the voluntary option for auditing the annual financial statements by the financial auditors, the members of the Chamber of Financial Auditors of Romanian (CFAR).

For the research study, the form F30 Informative data was retained for analysis because it provides a series of informative elements, but essential for the study. The data contained in the F30 form are grouped into eighteen essential categories, detailed in turn, and some of them are presented for both the end of the year ended and the previous year. As a result, the comparative analysis of the information provided in the accounting form F30 is possible, on the example of any SME under study.

The 18 key categories of data relate to the following economic and financial indicators: net income for the financial year, data on outstanding payments, average number of employees, royalties paid during the reporting period, grants received and outstanding receivables, employee vouchers, expenses performed for the research-development activity, innovation expenses, other information, information regarding the expenses with the collaborators, information regarding the goods from the public domain of the state and/or from the private property of the state subject to inventory

according to OMPF no. 668/2014[1], paid-in share capital, dividends/payments to be distributed from the profit of the financial year due to the state or local budget, dividends/payments paid during the profit reporting period due to the state or local budget, dividends distributed to shareholders from the carried forward profit, interim distributions of dividends according to Law no. 163/2018[2], receivables taken over by assignment from legal entities and income obtained from agricultural activities.

2.2. Non-Financial Information Provided by SMEs in the Financial Statements

The annual financial statements prepared by SMEs based on the provisions of the accounting regulations, approved by OMPF no. 1802/2014 are accompanied by the **Explanatory Notes** to the annual financial statements, the Management Statement, the Minutes of the general meeting of shareholders/associates and the Directors' Report.

For the research study, the component *Explanatory notes to the financial statements* was retained for analysis because it also provides non-financial information compared to the other components of the financial statements, important for the present scientific research.

Additional notes to the financial statements provide additional information necessary to enable the financial statements to meet the requirement that they provide a *"true and fair view of the assets, liabilities, financial position and profit or loss of the entity"[3]*.

Also, for exceptional situations where an SME does not apply the provisions of the accounting regulations in force at the date of preparation of the financial reporting, this aspect *"is presented in the explanatory notes to the financial statements, together with an explanation of its reasons and effects on assets, debt, financial position and profit or loss of the entity"[4]*.

The regulatory framework also provides for the provision by medium and large entities, at the request of the Ministry of Finance and other regulators, of certain

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[1] OMPF no. 668/2014 for the approval of the specifications regarding the elaboration and updating of the centralized inventory of the real estate privately owned by the state and of the real rights subject to the inventory, published in the Official Gazette, Part I, no. 374 of May 21, 2014

[2] Law no. 63/2018 for amending and supplementing the Accounting Law no. 82/1991, amending and supplementing the Companies Law no. 31/1990, as well as the amendment of Law no. 1/2005 on the organization and functioning of the cooperation

[3] Points 24 and 25 of the Accounting Regulations approved by OMPF no. 1802/2014 for the approval of the accounting regulations regarding the individual annual financial statements and the consolidated annual financial statements, published in the Official Gazette, Part I, no. 963 of December 30, 2014

[4] Point 26 of the Accounting Regulations approved by OMPF no. 1802/2014 for the approval of the accounting regulations regarding the individual annual financial statements and the consolidated annual financial statements, published in the Official Gazette, Part I, no. 963 of December 30, 2014

information in addition to those presented in the explanatory notes which are mandatory and are in accordance with the accounting regulations in force.[1] Such additional information may not be requested from small entities as defined by these regulations. Thus, we find that the current regulatory framework in accordance with the relevant European directives, applicable to Romanian enterprises, separates medium and small enterprises, in terms of the presentation of some/certain additional information, at the request of the competent authorities. In this context, SMEs present information in the Explanatory Notes to the Financial Statements in the format of ten notes, respectively: Note 1 - Fixed Assets; Note 2 - Provisions for risks and expenses Note 3 - Profit distribution; Note 4 - Analysis of the operating result; Note 5 - Statement of receivables and payables; Note 6 - Accounting principles Accounting policies Accounting methods; Note 7 - Investments and sources of financing; Note 8 - Information regarding employees and members of the administration/management; Note 9 - Economic and financial indicators and Note 10 - Other information.

2.3. Values and Limits of the Analysis of Financial Information Provided by SMEs

Table 1 presents, in a summarized form, the values and limits of the *financial* information provided by SMEs through the financial statements, in order to provide an overall "picture" leading to their improvement:

Table 1. Values and Limits of the Analysis of Financial Information of SMEs

Valuations of financial information provided by F30*Informative data*	Limits of financial information provided by F30 *Informative data*
SME decision guidance tool to ensure business continuity	A predominantly past-oriented tool, to the detriment of a strategic approach
Tool for achieving a profitability-oriented management	Difficult tool to identify the real causes of changes in financial information
Tool for achieving a management oriented towards research and development activities	A tool that does not identify the efforts of SMEs towards sustainable development
Tool for achieving a management oriented towards innovation activities	A tool that does not identify the efforts of SMEs for social responsibility
Tool for achieving a management oriented towards the employed staff of the enterprise	A tool that does not identify the efforts of SMEs in the direction of digitization

Source: author processing

Assessments of the value and limitations of financial information provided by SMEs

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[1] Point 27 of the Accounting Regulations approved by OMPF no. 1802/2014 for the approval of the accounting regulations regarding the individual annual financial statements and the consolidated annual financial statements, published in the Official Gazette, Part I, no. 963 of December 30, 2014.

through the F30 *Informative Data* form demonstrate the need to improve it in terms of informing end-users, based on "figures" on the company's efforts towards sustainable development, social responsibility and digitization, in the current national and international context.

In fact, by analyzing the information provided in the financial statements, stakeholders cannot identify the specific activity carried out by the SME under analysis, especially if the objective is to identify social responsibility within the community or to respect the principles of sustainable development of the community to which it belongs.

As a result, in relation to European legislation[1], recommended to EU Member States, small and medium-sized enterprises, can work in this direction to improve the transparency of non-financial information through continuous efforts.

2.4. Values and Limits of the Analysis of Non-Financial Information Provided by SMEs

Table 2 shows the values and limits of the *non-financial* information provided by SMEs through the *Explanatory Notes* to the Financial Statements, in order to also provide an overall "picture" leading to their improvement:

Table 2. Values and Limits of the Analysis of Non-Financial Information for SMEs

Valuations of non-financial information provided by *Explanatory Notes*	Limits of non-financial information provided by *Explanatory Notes*
Detailed information tool on balance sheet items	A predominantly past-oriented tool, to the detriment of a strategic approach
Information tool on the accounting principles and policies used	A tool that does not detail the orientation and efforts of SMEs towards sustainable development
Detailed information tool on profit sharing	A tool that does not detail the orientation and efforts of SMEs in the direction of social responsibility
Detailed information tool on economic and financial indicators	A tool that does not identify and detail the efforts of SMEs in the direction of digitization
A tool for improving the quality of non-financial information	Difficult tool for identifying the causes of an economic phenomenon

Source: author processing

In order to be able to demonstrate the impact of SMEs on society, they need to work

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[1] Directive 2014/95 / EU of the European Parliament and of the Council amending Directive 2013/34 / EU as regards the submission of non-financial information and information on diversity by certain companies and large groups.

towards providing non-financial information with a sufficient degree of comparability to facilitate the needs of stakeholders.

Also, according to the researcher, for the provision of such information, SMEs should use both the national framework for large enterprises and the relevant European and international legislation, such as the environmental management and audit system[1], the United Nations Global Compact on Enterprise[2], United Nations guidelines on business and human rights, the ISO 26000 standard of the International Organization for Standardization and other recognized international principles in the field.

Management's reports with non-financial information prepared by SMEs should be comparable and consistent in the presentation of information so that the proposed objectives of social responsibility and sustainable development can be quantified.

The analysis concludes that the information presented by SMEs in the financial statements needs to be improved in order to provide information on social responsibility and the sustainable development of the community in which they operate, with the application of the *"Think Small First"*[3] principle.

3. Literature Review

Special Report of the European Court of Auditors shows that between 2014 and 2020, a budget of 3 billion euro was made available to SMEs in Europe to support their innovation work, based on the Horizon 2020 research program, it was created the "SME Tool".

For the period 2021-2027, the Court made recommendations to strengthen services to accelerate the development of SMEs and to create synergies with other EU - supported financial instruments.

In Romania, scientific research representative of the business environment and especially of SMEs is represented by the White Paper on SMEs produced annually, starting with 2003 by the National Council of Small and Medium Private Enterprises in Romania[4] in partnership with Ministry of Economy, Entrepreneurship and Tourism.

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[1] EMAS provided for in Directive 2014/95 / EU available online at https://eur-lex.europa.eu.

[2] UN Global Compact available online at https://www.unglobalcompact.org.

[3] SBA principles available online at https://eur-lex.europa.eu/legal-content.

[4] The National Council of Small and Medium Private Enterprises in Romania was established in 1992 as a non-profit, independent organization with legal personality, non-governmental and public utility, in order to ensure the unitary representation of interests and entrepreneurial movement of SMEs at national and international level.

In the XVII Research Report, 2019 edition, the White Paper on SMEs in Romania, the results of the research were classified in the chapter dedicated to "*Priorities, directions and action measures for the development of the business environment and SMEs in the period 2019-2020*", regarding the aspects that define the "life of SMEs", priorities presented synthetically, as follows (**Figure 1**):

Figure 1. Priorities 2019-2020 for SMEs development

In the XVIII Research Report, 2020 edition, the White Paper on SMEs in Romania, in the chapter dedicated *"Priorities, directions and priority economic and social measures to be operated in the period 2020-2021"* were also classified the results of the research on the main priorities in the development of SMEs in Romania, during this period, priorities presented schematically as follows **(Figure 2)**:

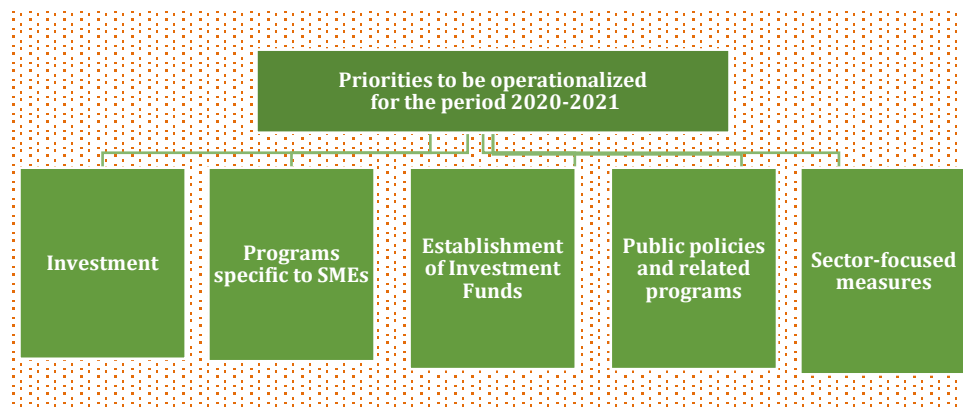**Figure 2. Priorities 2020-2021 for the development of SMEs**
Source: own processing

The research mentioned above[1] highlighted the fact that, in order to recovery the activity of SMEs in Romania, priority must be given to the following directions:

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[1] National Council of Small and Medium Private Enterprises in Romania, Research report XVIII, 2020 edition, White Paper on SMEs in Romania.

maintaining the demand for products and services at a reasonable level, ensuring supply chains for production and companies, liquidity and financing for companies and the population, substantial and rapidly operated investments, healthy human resources, fit and available for work, the allocation of substantial resources from the state budget to support the economy and the population in the face of the Covid 19 pandemic, rapid access to reimbursable and non-reimbursable resources the EU.

All the areas listed above together with the establishment of a National Task Force focused on the development and implementation of programs and projects for the development of SMEs with non-reimbursable EU funding will lead to the development of the business environment and, in particular, to the development of SMEs.

The dynamics of the activity of SMEs during 2020 looks like this: 48.40% of SMEs have reduced their activity, 38.27% operate at the same parameters and 13.33% have amplified their activity.

In terms of respondents' perceptions of the evolution of Romania's economic situation in 2020, the results highlighted the following assessments: 69.65% of SMEs consider the economic situation to be *"worse"*, 24.81% rated it *"the same"* and 5.54% rated the economic situation as *"better"*.

The evaluation of the impact of Covid 19 on the economic environment in March and April 2020 carried out by the National Institute of Statistics[1] highlighted the trend of the economic and social phenomenon regarding the evolution of the activity of the studied enterprises based on the data from **Table 3**:

Table 3. Impact Assessment Covid 19

No.	Specific indicators defined as possible answers	Evolution of the company's activity		
		March 2020	April 2020	Δ (+/-)
1.	Restriction of activity over 25%	33.30%	45.00%	+11.70%
2.	Restriction of activity below 25%	28.70%	20.90%	-7.80%
3.	Cessation of business activity	9.80%	13.80%	+4.00%
4.	They did not provide for a restriction on business activity	26.10%	17.50%	-8.60%
5.	They could not estimate the evolution of their volume of activity	2.10%	2.80%	+0.70%
	Total answers	100.00%	100.00%	x

Source: processing based on INS data

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[1] INS, Covid 19 impact assessment on the economic environment in March and April 2020 - ad-hoc statistical survey conducted on a sample of 8831 economic agents, considered representative at the level of economic sectors and the total economy, with a response rate of 71.30%

The analysis of the above data demonstrates the existence of an economic and social phenomenon in the business environment, namely, the uncertainty of ensuring the continuity of business activity in the context of the Covid 19 pandemic, respectively the restriction of business activity by more than 25% of business (increasing by 11.70% compared to March) or the cessation of their activity (up 4% compared to March).

The ad hoc statistical research conducted to assess the impact of Covid 19 was addressed to business managers in the manufacturing industry, in the transport and storage sector, construction, retail and Horeca. The comparative analysis of the application research specific to the SME sector for the period 2019-2020 and of the experimental statistical research on assessing the impact of Covid 19 on the economic environment, conducted between March and April 2020, validates the existence of the economic and social phenomenon regarding the uncertainty of ensuring the continuity of the activity of the enterprises, in the current, global context:

-at the level of the studied economic sectors, 45% predicted the restriction of the activity of the enterprises by over 25%;

-at the level of SMEs subject to research, 48.40% of them reduced their activity in 2020.

The national business environment must be based on 4 (four) major pillars (**Figure 3**), as defined in the Program, for the economic recovery for the period 2021-2024. In this context, the program for recovery the business environment called *"Romania, Entrepreneurial and Technology Hub"* aims (**Figure 3**):

Creating a Business Ecosystem for Future Challenges

Qualified human resources with information technology skills

Supporting entrepreneurial initiatives

Digitization of the relationship between the private environment and the public administration

Figure 3. Pillars of Economic Recovery of SMEs
Source: own processing [1]

In this economic and social context, the business environment and especially SMEs need support for their business; as a result, the proposed Government Program for the period 2021-2024 for economic recovery is based on the results of empirical research in 2020 and includes 11 (eleven) objectives (Figure 4):

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[1] National Council of Small and Medium Private Enterprises in Romania, Governance Program 2021-2024 of Business Environment, p. 4.

1.	**Institutional measures**
2.	**Romania Tech Nation**
3.	**Entrepreneurship and Innovation**
4.	**Establishment of public-private partnership entities**
5.	**Access to finance for SMEs**
6.	**Stimulating private sector job creation**
7.	**Internationalization of SMEs**
8.	**Supporting tourism**
9.	**Reduction of bureaucracy and simplification**
10.	**Entrepreneurial Education & Robotics**
11.	**Legislative measures**

Figure 4. Objectives for the Economic Recovery of SMEs
Source: own processing[1]

The analysis of the information related to the economic recovery of SMEs in the current economic and social context, showed that these objectives correspond to the principles of the Small Business Act (SBA) being, practically, from the researcher's point of view, directions for action to increase implementing the SBA principles in Romania.

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[1] National Council of Small and Medium Private Enterprises in Romania, Governance Program 2021-2024 of the business environment, pp. 5-15.

4. Research Methodology

The research study is interesting in terms of the innovative nature of external communication of information provided by SMEs through financial statements, in order to "ensure" the need for information of end users/stakeholders, in the context of digitalization of the economy and society in general.

In the above context, the main question we have tried to answer in the scientific approach is: *"Does the information provided by SMEs add value to their work in terms of sustainable development and social responsibility, in the context of the digitalisation of the economy and society?"*

Based on the evidence from some researches in the specialized literature, the following research hypotheses were formulated:

IC1: *The analysis of financial-accounting information provided by SMEs is a relevant and effective tool for the social partners;*

IC2: *The quality of financial-accounting information provided by SMEs is dependent on existing human resources and digital infrastructure.*

IC3: *External communication of information provided by SMEs contributes to the reactivity of public authorities to their needs, in the context of the digitalisation of the economy and society in general.*

The overview of the present scientific approach is presented, schematically, in the "Diagram of research hypotheses" (Figure 5):

Figure 5. Diagram of Research Hypotheses on the SME Model
Source: Author Processing

The **object of the research** was to document, collect, analyze and interpret data from documents/situations elaborated/prepared by SMEs in order to ensure the information "requested" by stakeholders, in order to draw relevant conclusions about them, as well as the possibility of improving this type of information.

Thus, the researcher performed the analysis of financial and non-financial information contained in the component documents of the financial statements, analysis based on case studies for the period 2014-2020 to demonstrate the need to improve them in the current national and international economic and social context.

The **research methodology** used to test the formulated hypotheses is predominantly quantitative. In this context, the hypothetical-deductive longitudinal study was used based on the analysis of the reported information, available in both financial and non-financial reporting, components of the financial statements. The study is based entirely on the analysis and interpretation of the available information in order to identify the critical points related to their external communication to users.

The scientific approach also focused on qualitative research and the descriptive-conceptual perspective with an empirical perspective, on the comparative method of information and the typological method. The typological method was used to make classifications at the level of concepts, evaluation methods and acceptance related to the "innovative" elements of the documents, reports that are proposed to be developed in a voluntary approach by SMEs, but in a structure to ensure comparability at the level of a sector of activity.[1]

The non-participatory observation that involves the situation of the researcher outside the observed system was made from the perspective of the evolution of scientific knowledge in the specific theoretical area and national, European and international regulations applicable to SMEs.

In order to carry out the research, the case study was used, which is considered in the literature as an *"empirical investigation that investigates a contemporary phenomenon in its real life context, especially when the boundaries between phenomenon and context are not very well defined"*[2].

5. Empirical Study on the Analysis of Financial and Non-Financial Information of SMEs in the Period 2014 - 2020

The "correct" interpretation of the economic and social phenomena specific to SMEs involves explaining the results obtained as a result of the activities, as well as proposing solutions to improve them, in full accordance with the specifics of the

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[1] CNEA Codes Classification of National Economic Activities
[2] (Yin R.K., 2005, p. 30) quoted in (Ristea & Franc, 2009, p. 77)

basic activities of SMEs.

The diagnosis of the activity of SMEs must be based on a systemic approach, in the sense that restoring the balance of the company with the environment in which it operates can be done in a general logic, specific to the field in which it operates, in the context of digitizing the Romanian economy and society.

In order to make changes to improve the information provided to stakeholders, SMEs must have the capacity to act and react with the human, material, financial, informational, logistical, psychological resources at their disposal.

For the chosen research topic, the financial and non-financial information provided through the financial statements were subjected to diagnostic analysis in order to demonstrate the need to improve them in the light of the new requirements of the national and international economic and social environment.

The analysis of the **financial** information related to each financial year from 2014 to 2020 had as a starting point, the data from form F30 *Informative data* on the model of two SMEs in the civil construction sector[1], referred to in the paper as Enterprise X and Enterprise Y.

The analysis of the **non-financial** information had as a starting point, the data from the *Explanatory Notes* on the model of two SMEs in the civil construction sector[2].

In this sense, for the research topic, the non-financial information contained in Note 4 *Analysis of the operating result* and Note 9 *Economical and financial indicators* were retained.

The values of the economic-financial indicators related to each financial year of the analyzed period, presented in Note 9 of the *Explanatory Notes* were based on the calculation of the financial information from the accounting of the two companies.

Given the European and national framework on data protection[3], research was conducted on the anonymity of SMEs throughout the work.

Compared to the results obtained from the analysis of the financial and non-financial information related to the two companies subject to the study, there was a need to restatement them through the prism of the scientific research topic.

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[1] CNEA 4120 Construction work for residential and non-residential buildings according to the data in the annual financial statements (entities whose financial year coincides with the calendar year)

[2] CNEA 4120 Construction work for residential and non-residential buildings according to the annual financial statements (entities whose financial year coincides with the calendar year)

[3] EU Regulation 679/2016 on the protection of individuals with regard to the processing of personal data and on the free movement of such data; Law no. 190 of 18 July 2018 on measures for the implementation of Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of individuals with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46 / EC (General Data Protection Regulation)

In this sense, although through the form F30 *Informative data* financial information was provided and through the *Explanatory Notes*, respectively Note 4 *Analysis of the operating result* and through Note 9 *Economical and financial indicators*, non-financial information, the analysis showed that all the information provided is financial nature based on the "figures" in the financial accounts.

By analyzing the non-financial information, the end-user "expects" to see a detail of the "figures" and an interpretation of them in terms of the specific business activity and the financial year presented (expansion or restriction of activity, attracting or dismissing employees, actions to protect environment, participation/sponsorship of actions at the level of the local community, investments in research-development and innovation activities, in the necessary infrastructure for the digitalization of the enterprise, ecological investments - low carbon machinery and equipment, renewable energy, material recycling).

In this context, the evolution of financial and non-financial information in the period 2014-2020 was analyzed in terms of retaining only the information relevant to the research topic in order to demonstrate the research hypotheses formulated.

In order to highlight the studied economic and social phenomenon, it was necessary to restatement the information provided by the financial statements of the two companies. The information arranged according to the need for research for the period 2014-2020 and their interpretation, are presented separately, on each of the two SMEs, in the **tables from no. 4 to no. 10**, as follows:

Table 4. Information Restatement2014-2020-Enterprise X

No.	Information restatement provided in the financial statements	Information provided by financial statements (lei)						
		2014	2015	2016	2017	2018	2019	2020
1.	Net profit for the financial year	1,416,905	3,876,829	8,090,316	4,377,122	2,454,039	2,928,596	2,508,455
2.	Research and development expenses	0	0	0	0	0	0	0
3.	Innovation costs	0	0	0	0	0	0	0
4.	Net turnover	9,997,072	13,352,447	13,464,743	13,589,641	16,045,015	17,783,413	33,796,492
5.	Cost of goods sold and services rendered	5,224,561	5,898,250	15,610,738	8,532,046	13,743,225	14,994,435	11,861,271
6.	Gross net income result	4,772,511	7,454,197	9,152,155	5,057,595	2,301,790	2,788,978	21,935,221
7.	Operating result	1,692,787	4,659,906	8,948,455	5,204,001	2,834,574	2,928,596	2,897,770
8.	Average number of employees	29	42	42	42	49	57	67
9.	Paid-in share capital	18,370	18,800	18,900	18,900	18,900	18,900	18,900

Source: own processing

From the analysis of the values reported by the annual financial statements in the period 2014-2020, it was found that the enterprise X registered fluctuations in the activity from year to year and implicitly fluctuations in its results, given that there was an increase in the number of employees/employees, as well as share capital.

Based on the data in the table above, there were determined fixed base indices ($I_{n/n-6}$ =$I_{2020/2014}$) and chain-based indices ($I_{n/n-1}$) related to the information provided in the financial statements, in order to diagnose the activity of enterprise X in the period 2014-2020, the results being presented in **Table 5**:

Table 5. Indices Related to Information Restatement2014-2020-Enterprise X

No.	Information restatement provided in the financial statements	Indices related to information provided by financial statements (%)						
		I 2015/2014	I 2016/2015	I 2017/2016	I 2018/2017	I 2019/2018	I 2020/2019	I 2020/2014
1.	Net profit for the financial year	273.61	208.67	54.10	56.07	119.33	85.65	177.04
2.	Research and development expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3.	Innovation costs	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4.	Net turnover	133.56	100.84	100.93	118.07	110.83	190.04	338.06
5.	Cost of goods sold and services rendered	112.89	70.00	54.65	161.08	109.10	79.10	227.03
6.	Gross net income result	159.19	122.78	55.26	45.51	121.17	786.50	459.62
7.	Operating result	275.28	192.03	58.15	54.47	103.32	98.95	98.94
8.	Average number of employees	144.82	100.00	100.00	16.67	116.32	117.54	231.03
9.	Paid-in share capital	102.30	100.53	100.00	100.00	100.00	100.00	100.00

Source: Own processing

The analysis of the indices recorded by the indicators in **Table 5** showed that the activity of enterprise X in terms of net turnover increased from year to year, given that the gross result of net turnover, operating income and net profit of financial years decreased in the middle of the analyzed period.

Moreover, throughout the period, the economic and social phenomenon was increasing, respectively the net profit at the end of 2020 registered an increase of 77.04% compared to the financial year 2014, the net turnover increased by 3.38 times compared to of the reference year 2014 and the gross result of the net turnover registered an increase of 4.59 times.

A positive aspect for enterprise X is the creation of new jobs, respectively an increase of 2.3 times in 2020 compared to 2014 and 17.54% compared to 2019, a year marked by the beginning of the health crisis generated of the global Covid pandemic.

It is also worth mentioning the unfavourable aspects for enterprise X generated by the fact that, in its activity, the research-development and innovation expenses are not included, expenses that the legislator highlighted through the form F30 *Informative data*.

In order to provide a more complete picture of the activity of enterprise X for the period 2015-2020, there were calculated and presented in dynamics of the indicators of liquidity, risk, management and profitability (**Table 6**) as they were provided through the *Explanatory Notes* to the financial statements:

Table 6. Indicators Related to Information Restatement2015-2020 - Enterprise X

No.	Name of indicators		2015	2016	2017	2018	2019	2020
1.	Liquidity indicators							
	1.1	Current liquidity	3.22	2.72	1.82	3.63	1.88	1.87
	1.2	Immediate liquidity	3.19	2.23	1.81	3.36	1.84	1.74
2.	Risk indicators							
	2.1	Level of indebtedness	0	0	0	0	0	0
	2.2	Degree of interest coverage	0	0	0	0	0	0
3.	Management indicators (days)							
4.	3.1	Stock turnover rate	273	95	97	54	75	52
	3.2	Customer turnover rate	135	75	59	42	43	3,5
	3.3	Supplier credit turnover rate	27	48	23	32	22	22
	3.4	Rotation rate of fixed assets	1.65	2.65	12.87	8.44	10.57	19
	3.5	Total assets turnover rate	0.77	2.87	11.25	2.31	2.23	3
5.	Profitability indicators							
	4.1	Return on capital employed	0.31	2.43	0.72	0.41	0.48	0.54
	4.2	Gross sales margin	0.01	1.57	0.38	0.18	0.18	8.00

Source: own processing

Analysis of the indicators in **Table 6** shows that enterprise X had liquidity throughout the analysis period, which shows a concern about cash flow, given that there were significant delays in customer collection and payment of suppliers, improved delays since 2018 and until 2020, a year marked by the health crisis.

Table 7. Information Restatement2014-2020 - Enterprise Y

No.	Information restatement provided in the financial statements	Information provided by financial statements (lei)						
		2014	2015	2016	2017	2018	2019	2020
1.	Net profit for the financial year	223,213	2,876,112	2,000,677	806,986	1,064,644	1,195,525	2,899,458
2.	Research and development expenses	0	0	0	0	0	0	0
3.	Innovation costs	0	0	0	0	0	0	0
4.	Net turnover	5,798,919	14,577,584	16,064,363	7,610,708	14,843,868	20,860,334	30,403,061
5.	Cost of goods sold and services rendered	3,183,153	6,236,544	5,350,396	3,203,246	7,775,869	10,746,182	12,794,012
6.	Gross net income result	228,068	3,424,005	2,388,349	1,005,203	1,285,531	1,466,247	3,490,820
7.	Operating result	258,174	3,397,070	2,377,530	1,003,130	1,454,752	1,669,847	3,690,337
8.	Average number of employees	47	78	59	65	69	63	69
9.	Paid-in share capital	200	200	200	100,000	100,000	100,000	100,000

Source: Own Processing

The analysis of the values reported in the annual financial statements for the period 2014-2020 found that enterprise Y also recorded fluctuations in activity from year to year and, implicitly, fluctuations in its results, given that it recorded an increase in the number of employees/employees, as well as an "explosive" increase of the share capital (from 200 lei to 100,000 lei).Based on the data from **Table 7** were also determined in the case of enterprise Y indices with fixed base ($I_{n/n-6} = I_{2020/2014}$) and indices with chain base ($I_{n/n-1}$) related to the information provided by the financial statements, in order to perform diagnosis of the activity in the period 2014-2020, the results being summarized in **Table 8**:

Table 8. Indices Related to Information Restatement2014-2020 - Enterprise Y

No.	Information restatement provided in the financial statements	Indices related to information provided by the financial statements (%)						
		I 2015/2014	**I** 2016/2015	**I** 2017/2016	**I** 2018/2017	**I** 2019/2018	**I** 2020/2019	**I** 2020/2014
1.	Net profit for the financial year	1288.50	69.56	40.33	131.93	112.29	242.52	1298.96
2.	Research and development expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3.	Innovation costs	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4.	Net turnover	251.38	110.20	47.37	195.04	140.53	145.75	524.28
5.	Cost of goods sold and services rendered	195.92	85.79	59.87	242.75	138.20	119.05	401.92
6.	Gross net income result	1501.30	69.75	42.10	127.88	114.05	238.07	1530.60
7.	Operating result	1315.80	69.98	42.19	145.02	114.78	220.99	1429.40
8.	Average number of employees	165.95	75.64	110.17	106.15	91.30	109.52	146.81
9.	Paid-in share capital	100.00	100.00	50000	100.00	100.00	100.00	100.00

Source: Own processing

From the analysis of the indices registered by the indicators from **Table 8** above, the activity of enterprise Y in terms of net turnover increased from year to year, except for 2017 when it registered a significant reduction, by over 50%. Under these conditions, in 2017 lower results were recorded by approx. 50% compared to the previous year, but there was an increase in the number of employees.

Over the whole period, the economic and social phenomenon was increasing; respectively the net profit at the end of 2020 registered an increase of about 13 times, in the conditions of the increase of the share capital from 200 lei to 100,000 lei. This aspect was reflected in the development of the company's activity, which led to an increase in net turnover of 5.24 times compared to 2014, the reference year of this analysis, as well as the gross result of net turnover (approx. 15 times) and the operating result (approx. 14 times).A positive aspect for enterprise Y is the creation of new jobs, respectively an increase of 46.81% in 2020 compared to 2014 and 9.52% compared to 2019, a year marked by the beginning of the health crisis generated of the global Covid pandemic.It is also worth mentioning the unfavourable aspect for enterprise Y generated by the fact that, in its activity are not included the research-development and innovation expenses, expenses that the legislator highlighted through the form F30 *Informative data*.The more complete image of the activity of enterprise Y for the period 2015-2020, is completed by the presentation in dynamics of the indicators of liquidity, risk, management and profitability (Table

9) as they were provided through the *Explanatory Notes* to the financial statements:

Table 9. Indicators Related to Information Restatement2015-2020-Enterprise Y

No.	Name of indicators		2015	2016	2017	2018	2019	2020
1.	Liquidity indicators							
	1.1	Current liquidity	1.72	4.13	1.47	1.49	2.06	1.86
	1.2	Immediate liquidity	1.68	3.24	1.17	1.05	1.48	1.65
2.	Risk indicators							
	2.1	Level of indebtedness	0.85	11.89	18.07	57.70	72.99	9.91
	2.2	Degree of interest coverage	138.30	137.04	22.92	4.80	4.42	3.40
3.	Management indicators (days)							
4.	3.1	Stock turnover rate	34.50	35	37	26	24	23
	3.2	Customer turnover rate	4	2	29.50	14	14	46
	3.3	Supplier credit turnover rate	79.50	56	616.50	524	287	252
	3.4	Rotation rate of fixed assets	3819	3471	1545	2824	3269	2797
	3.5	Total assets turnover rate	754	584	575	727	825	909
5.	Profitability indicators							
	4.1	Return on capital employed	1.15	0.98	0.68	0.44	0.25	0.15
	4.2	Gross sales margin	2.22	14.87	13.21	8.66	5.07	11.48

Source: own processing based on the data from subchapters 2.1-2.6

The analysis of the indicators in the table above shows that enterprise Y had liquidity throughout the analysis period, which shows a concern for cash flow, given that it financed its current activity through a bank loan with the destination of working capital, as well as through a "favourable" management of the activity in the sense of using the benefits given by the credits-supplier.

6. Conclusions

The analysis carried out in this study on the financial and non-financial information provided through the financial statements prepared by the two SMEs aimed to demonstrate the need to improve them in the light of the new demands of the national and international economic and social environment.

The study of the two SMEs highlighted a series of similarities regarding the typology of the activities carried out, but also a series of their differences (**Table 10**):

Table 10. Similarities and Differences between SMEs under Analysis

Behavioural similarities of the analyzed SMEs	Behavioural differences of the analyzed SMEs
Net turnover increasing over the total analyzed period	Financing the activity of Enterprise Y through bank loans for working capital
Net profit of the growing activity for the total analyzed period	Fluctuations in the turnover of Enterprise Y in the middle of the analyzed period
Ensuring the cash flow needed to carry out the activity	Enterprise Y risk indicators within normal limits
Creation of new jobs for the total analyzed period	Significant gaps between supplier credits and customer-debtors in the case of Enterprise X.
Expenditure on non-existent SME digitization	Improved management indicators at the end of the analyzed period in the case of Enterprise X
Expenditure on non-existent research and development	"Explosive" increase in the share capital of Enterprise Y
Expenditure on non-existent innovation	"Insignificant" increase in the share capital of Enterprise X
Green investments - low carbon machinery and equipment, renewable energy, recycling of materials not highlighted separately through external communication	"Explosive" increase in result indicators due to "significant" increase in the volume of activity of Enterprise Y

Source: Author Processing

The above data show that the SMEs studied have a number of common aspects, but also different ones even if they operate in the same sector, namely that of civil construction.

The most important aspect of the analysis that needs to be highlighted is the creation of new jobs during the seven-year period by both SMEs, which means stability in the community in which the businesses operate.

Also, the unfavourable aspects that need to be improved refer to the fact that SMEs have not incurred during this period expenses for research-development, innovation and creation of the necessary infrastructure to switch to online, digital

communication of information, as well as investments that reduce the environmental footprint.

The analysis of the restatement of the information provided by the annual financial statements in the case of the two SMEs showed that through external communication using the components/forms in the financial statements, stakeholders "receive" relevant data, the quality of which depends, "obligatorily", on the company's human resources and existing communication infrastructure.

The dynamics of the two companies undergoing the case study over a period of seven years have shown that the information provided by SMEs at this time needs to be improved both in terms of sustainable development and social responsibility, in the context of the digitalization of the economy, generated and accelerated by the global health crisis.

The conclusion that emerges from the presentation, analysis, restatement and interpretation of the financial and non-financial information provided through the financial statements of SMEs validates the research hypotheses formulated, namely:

  the analysis of financial-accounting information provided by SMEs is a relevant and effective tool for the social partners;

  the quality of financial-accounting information provided by SMEs is dependent on human resources and existing digital infrastructure;

  The external communication of the information provided by SMEs contributes to the activity of public authorities to their needs, in the context of the digitalization of the economy and society.

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