

The relationship between relevance and reliability



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The Relationship Between Relevance and Reliability Accounting information provided by accounting entity must reach a certain quality standard, so that it can meet the users' needs of accounting information. Financial accounting information quality has four basic characteristics, can be understandability relevance, reliability and comparability. Two of the greatest impacts on the accounting of the main accounting policies are relevance and reliability.

When we compare and contrast any two subjects, the first and the most important thing is to make a clear scene of the two. Only we analyzed the definitions of them, could we find the relationships between them. First of all, let us learn what exactly relevance is and what is reliability. Relevance, which known as one of the basic principles of financial accounting means accounting information refers to associated with the user's economic decision-making. In another words, people can use accounting information to make some relative decisions.

If the accounting information will affect the user's decision-making y helping users assess past, present or future events, or correct the user's evaluation of the past, we can say the information is relevant. Relevant principles are intended to enhance the user's abilities of decision-making and predictive. Relevant accounting information is considered an important quality characteristic in some countries. Generally speaking, whether a set of information is relevant, it will depend on its predictive value, feedback value and timeliness.

If a message can help sers predict the results of future events, then this information has predictive value, the user can predict the likely outcome, to

make the best choice. The predictive value of information could change the decision-making, so it is an important factor of relevance. If a message can make the user confirm or correct prediction of actual results over the past feedback to decision makers, compared with the expected results can be expected if the past is wrong, in order to avoid the industry to make the same mistake again when they make a decision.

Shows the value of information feedback will help future decision-making. Therefore, it is also an important factor of relevance. If any information wants to influence the decisions, it must be provided before decision-making. Although the timely provision of information will not be relevant sometimes, the information will not be effectiveness if it fail to provide in time.. As relevance, reliability also is an important quality characteristic. " reliability was defined as the quality of information that assures that information is reasonably free