

THE ACCOUNTING HARMONIZATION IN THE PROCESS OF NATIONAL REFORM IN BASE OF THE IAS / IFRS STANDARDS

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Abstract:

The harmonization of the economic-financial report at an international level is, today, in the context of the globalization and integration of the world's financial markets, an important demand and an urgent desideratum. In fact, it is needed a necessary prerogative for the comparability of the international enterprises' performances, for the transparency, efficiency and development of the world financial markets.

"The harmonization of the accounting rules and the usage, in general, of a common accounting language represents the necessary conditions for homogenous, intelligible, and transparent financial reports, indispensable for the credibility and the comparability in the balance sheet and especially the trust given to this informative document from the part of the investors."

Key words: harmonization, globalization, financial markets, accounting language, annual financial situations

1. INTRODUCTION

The growth of internationalization in enterprises which see "the global market" as the strategic place where they compete and where their finance takes place, the growth of the investors' demands in the geographical diversification of their own investments, the awareness that the values from the balance-sheet are still in great measure influenced by the accounting language adopted in its expression, have determined the making obvious of the disharmonized situations come from societies and from the financial markets in a common accounting language that may consent to safer investments' possibilities from the part of the economic and finances entities involved in international contexts.

2. THE EVOLUTION OF THE INTERNATIONAL ACCOUNTING STANDARDS

The evolution and the extension of the globalization over the financial markets have determined the European Commission to initialize a convergence process at community's level in what concerns the drawing up of norms related to the balance -sheets and the financial reports of the enterprises.

So, the European Commission elaborated in 2002 a Regulation (no.1606 -2002 from 19th July 2002), which was meant to create, starting with 2005, an accounting harmonization and to impose to the current on exchange societies from the European Union the application of the international principles IAS/IFRS in the drawing up of the consolidated balance -sheet. Such a process has as main objective to offer to the accounting information given by the trade societies, credibility and high quality, such as to favour the development of competence and markets and to protect the customers.

The international standards are elaborated by IASB (International Accounting Standards Boards), an international independent organically structure whose main purpose is development, in the public interest, of the accounting high-quality norms. The status above quoted (no 1606/2002 from 19th July 2002) stipulates that these principles have to be ratified by the European Commission and published in the European Union's Official Newspaper.

In December 2004 principle 39 concerning financial instruments was particularly modified because of its profoundly innovative character different from the previous principles used by the majority of countries and it took a great effort from the part of the national and communitarian organically structures to reach its ratification. Some themes from IAS 39 have been eliminated even from the homologation phase.

In Romania the main objective of the accountancy, together with the development of the accountancy system, was the alignment of the Romanian accountancy regulations to the European directives in order to accomplish the conditions to join the European Union as well as the convergence with the International Accountancy Standards, situation imposed by the economic globalisation and the development of the stock markets. The reforms made in the field of accountancy determined the establishment of certain specific concepts as: normalization, harmonisation, convergence, conformity.

In Romania the accountancy normalization presents another powerful institutional supremacy because the authorities of the state are those which issue regulations like: The Romanian Parliament – that adopts organic and ordinary laws in every field and particularly in the accounting and financial field; the Government – that issues governmental decrees and decisions to apply them; the Public Finances Ministry – which issue methodological regulations to apply the governmental decisions.

Until the 1990, the Romanian Accounting System had been influenced by the experience of many other European countries. Starting with 1990, the intense changes of the Romanian economy lead to the initiation of the accounting reform process. This progress had been also supported by a continuous growth in the demand for relevant and realistic information, from the investors and sponsors, in order to fulfill their needs of evaluating their inerrant investment risks. Before the 90's, the accounting system served the demands of the central economy, and after 1990, it met the demands of the transition economy.

The phase 1991-1993 was associated with many controversies connected with the accounting principles. The accounting reform was catalogued as superficial, because some accounts were eliminated and then replaced by new ones, and some accounts were modified. In 1991, the accounting law was introduced, and it controls the activity and procedures of the accounting system.

Between 1991 and 1993, a new dualistic accounting was initiated, inspired from the experience of the European countries, especially France, which also ensured professional support. In 1999 started a new phase of the accounting reform in Romania, simultaneously with the national accounting harmonization with the European Directives and with the International Accounting Standards.

A more consistent development of the Romanian accounting system takes place in 1999, once it starts a harmonization process together with the European Directives and the International Accounting Standards, on ground of the Order of the Public Finance Ministry No. 403/1999, given for large and very large enterprises, and the Order of the Public Finance Ministry No. 306/2002 for small and middle enterprises. Subsequently, Order No. 403/1999 was replaced by Order No. 94/2001.

The first two phases of the Romanian accounting reform suffered quantifiable changes, such as:

- in 1990, the Law No. 82/1991 – Accounting Law, together with its Application Regulation (in 1993)
- in 2001, the elaboration and publication of Order No. 94/2001, which consists in a pack of harmonized regulations with the European Directive VI, especially with the International Accounting Standards (IAS)

The Order of the Public Ministry No. 94/2001, for large and very large enterprises, also included many accounting principles from France and Great Britain, the IV Directive, and IAS. It wasn't only addressed to the large and very large enterprises, but also to all large enterprises, as opposed to the European countries, where this law was addressed only to the stock exchange enlisted companies.

As for the communitarian documents of the accounting system, the introduction of the IV European Directive contributed to the accounting reform process in Romania.

In 2002, the Public Finance Ministry published Order No. 306/2002, for the approval of the simplified and accounting regulations, which had been harmonized with the European Directives.

These regulations were set for small enterprises, which did not fulfill 2 of the 3 size criteria, referring to: sales volume, total assets, and average number of employees.

By the Order No. 1827/2003, the Public Finance Ministry took an important decision within the reform process of the national accounting system. The Ministry requested the Romanian companies to apply the International Accounting Standards starting with 2005.

In Romania, all the stock exchange enlisted companies, bank institutions, insurance companies and other companies which fulfill specific size related criteria, must adopt the IFRS.

As opposed to the former legislation in the accounting domain, this specific order is precise, in relation to the demand of full adoption of the IFRS, inclusively the standards referring to the consolidated financial sheets.

A new phase in the development of the Romanian accounting system started with the Order No. 907/27.06.2005, which brought new statements referring to the accounting rules and regulations.

Starting with the 2006 financial year, the juristic persons referred to in Art. 1 from the accounting law No. 82/1991 must apply the accounting rules and regulations according to the European Directives. These rules are also applicable to Romanian enterprises, which have foreign holders.

Starting with 2006, law no. 82/1991 requests the financial institutions to provide a set of financial data, according to the rules of the European Directives and to the specific bank directives. Beside this set of data, the financial institutions are requested to present another portfolio consisting in data according to IFRS, so that other users can use this information.

The Order of the Public Finance Ministry is also applicable for public interest companies, which can also provide another set of financial information accordingly with the IFRS; also, on purpose that other users, other than the government, can use this information. This is possible only if the companies are compatible with the IFRS implementations.

Consequently, the Public Finance Ministry released Order No. 1752/17.11.2005, which consists in accounting regulations in compliance with the European Directives. The order is applicable starting with the 1st of January 2006.

Once this order becomes applicable, Order No. 94/2001 and Order No. 306/2006 are being abolished.

This order specifies which categories of juristic persons must follow this order: entities referred to in Art. 1 of law no. 82/1991, foreign sub-entities without juristic character which belong to Romanian juristic persons, as well as Romanian companies which belong to foreign juristic persons.

Carried out bookkeeping reforms after 1990, determined a connection of some specific concepts, such as: normalization, harmonization, conformability etc.

Accountancy normalization = defined as a process which presents general concepts and principles and bookkeeping norms based on a precised terminology, identical for all the users and producers of accountancy information, fully or partially applicable in a assemble of countries, enterprises or accountants.

The purpose of accountancy normalization consists in bookkeeping norm elaboration, as a reference system for the production of accountancy information, and the social validation of financial situations.

Accountancy harmonization = represents the process that harmonizes the rules or norms different from a country to other, in order to be concluded, and to be interpreted all the same.

In our country, the harmonizing process is carried out in 2 levels:

- The European level – by implementing the directives 4th, 7th and 8th.
- The international level, for big and very big entities, by implementation of International Standards of Financial Reporting (IAS/IFRS).

These 2 harmonizing landings have as a basis 2 levels:

- The European level – by implementing the CEE directives 6th, 7th and 8th;

- The international level, for big and very big entities, by implementation of International Financial Reporting Standard.

These two harmonizing landings have as basis different practices, based on two different bookkeeping cultures:

- Latino – European (continental);
- Anglo – Saxon.

Latino – European culture created and promoted by European countries with an extended economy, as: France, Italy, Germany is characterized through:

- priority orientation to state's interests;
- It is strongly standardized and controlled through regulations which are part of so-called general accounts plan;
- Applies a dual bookkeeping, respectively into 2 circuits: financial and administrative;
- The true image it is known to be an fundamental objective of bookkeeping realized through: conformity, regularity and honesty
- The bookkeeping information is strongly influenced by juridical aspects.

The Anglo – Saxon accountancy culture especially developed by the United Kingdom and USA, it is characterized by:

- protecting the investor's interests by promoting the economical liberalism;
- it is less rigid, based on summing a non-precedent compulsory general accountant plan, for all the entities;
- patterning the incomings and the expenses by destination/product/ department/services, and not by their economical content;
- the true image is known to be a essential principle;
- the bookkeeping information is dominated by the economics' pre-valence principle, over the juridical one.

The accountancy convergence presumes the focalization of all the bookkeeping activities in the same direction, but most of all the drawing of the annual financial activities, at the end of the exercise, these being targets depending on the databases adoption for the financial year.

The accountancy convergence consists in orientating the whole activity into producing those information that are useful in elaborating financial situations, and which includes parameters, variables and unitary indicators for all the economical entities.

Accountancy conformity pictures the adaptability that national standards, concerning the bookkeeping domain, can take it to other similar (ex: European Directives), which are highly generalized, representative and acceptable.

The Romanian regulations concerning accountancy, firstly picture s the CEE directives conformation, (4th, 7th, 8th), and then The International Standards of Financial Reporting.

The 4th directive, adopted in 1998, refers, through its articles, to evaluation rules, published financial situation formats, and the demands concerning the financial communication, aspects that cover the problematical of un-comprised companies to financial groups, but analyzed individually.

Following the adoption of the 4th directive, and knowing the financial globalization phenomenon, and the international standards evolution, the European device included in the 7th section new rules that are relying on the evaluation system, based on the true value.

The 7th directive, adopted in 1983, aims the consolidated accounts, namely the drawn financial studies, presented and published in order to offer information about the financial position, performances and evolutions of companies and groups – which are a weight in the world-wide economy.

The European regulations foresees that accountancy directives will continue to apply to quoted companies, which will publish financial situations in accordance to The International Standards of Financial Reporting (IFRS).

As consequence, there was necessary a revision of accountancy directives, in order to modernize them and to be compatible with the present and future International Standards of Financial Reporting.

So, the European Parliament and the European Union's Council, adopted, in 2003, 2003/51/CE Directive which refers to European accountancy texts modernization and actualization, supplementing the European regulation IFRS 2005, being transposed into the national rights of all the EU members, starting with January 2005.

The former accounting regulations had a strong prescriptive character, and by emphasizing the information input only for the fiscal authorities and central institutions, discouraged the professional logic when implementing these regulations.

Subsequently, a reorientation in stating financial information had become necessary, so that it would comply with the demands of some information users, such as shareholders, potential investors, clients, suppliers.

3. CONCLUSION

Applying the IFRS in Romania amplifies the responsibilities of the authorities which are directly involved in this process (institutions which have an important role in elaborating accounting regulations, such as the Public Finance Ministry, Commission of Movable Property). The most important role of these institutions is to create an optimal legislative frame for applying the IFRS. The managers of the companies will need to be trained not only for these new accounting regulations, but they will also need to train their accounting staff for the new accounting programs.

The professional accounting training companies also play a major role in the process of development of the national accounting system (CECCAR, AGER, CAFR).

The reform of the Romanian accounting system is a complex process, enforced by the globalization process, the integration in the European Union, the need of ensuring in-time and spatial comparability of the financial sheets, as well as upgrading to a global common accounting language.

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