



INTERNATIONAL ACCOUNTING HARMONIZATION AND NORMALIZATION: CASE STUDY-CASE OF ROMANIA

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Abstract: *The securing of an accounting language common to all economic entities regardless of the activity profile, dimension or country in which it develops its activity, became of string importance, due to the fact that the European Union's main objective is an accounting report identical for all its countries. The present paper presents Romania's case regarding the alignment of its accounting norms to the international accounting standards.*

Key words: *accounting, convergence, harmonization, normalization*

1. INTRODUCTION

Although it differs from one country to another, wearing the national socio-political print, the accounting normalization and regulation device is defined through the following elements (Feleagă & Feleagă, 2007):

- the accounting framework or conceptual framework;
- the network of accounting standards or norms;
- the normative accounting regulation system;
- the general chart of accounts and accounting scheme of the economic and financial operations.

In this paper we tried to highlight the efforts made by Romania in the 20 years of transition from centralized economy to market economy in order to align to the International Accounting Standards. Our research was based on the accounting legislation, but also on the opinions expressed by accounting experts regarding the need to align the national accounting to the European one, i.e. the need to create a common accounting language in the European Union.

2. HARMONIZATION AND NORMALIZATION AT EUROPEAN UNION LEVEL

The Norms IV and VII played an important part as referred to the European accounting harmonization.

Norm IV - was issued by the Council of Ministers on 25th July 1978 and published in the Official Journal no. 1222, 14/08/78 p. 0011, based on the article 54(3)(g) of the Rome Treaty, representing a compromise between the legal approach of the financial report and the approach based on the recognition of the loyal image primacy. Among the most important amendments found in Norm IV we present:

- the right allotted to the member states to use the evaluation methods that should consider the inflation effects;
- the conditions that should allow the small enterprises to be free of expensive rules regarding the presentation and publication of the financial situations.

The most important stipulations of this norm appear in article 2, where the structure of the financial situations is presented: the balance sheet, the profit, the loss account and the appendix; the main objective of the harmonization is stipulated, respectively: the financial situations must offer a loyal image of the patrimony, of the financial position and of the results of the companies.

Norm VII – adopted in 1983, it contains 51 articles, which presents its objectives, aiming the consolidated accounts, i.e. the financial situations, elaborated, presented and published by the companies groups. Norm VII contains 6 sections: the conditions of elaborating the consolidated accounts; the methods of elaborating the consolidated accounts; the consolidated management report, the consolidated accounts control, the transitional dispositions, the final dispositions. Also, Norm VII deals with the cases of consolidation exemption, the cases of small enterprises and the cases of the disposal of certain subsidiaries.

Convergence IAS – IFRS – the notion of accounting convergence occurred in 2001, once with the setting of the objectives of the International Accounting Standards Board, the main objective being to engage with the national regulatory standards in an active manner in order to identify quality solutions for the convergence of national accounting standards with standards developed by the IASB (Pop, 2004).

The main purpose of the IASB is to develop accounting standards that are globally applicable (Petriș, 2010). These standards are called International Financial Reporting Standards (IFRS) and the interpretations issued by the Committee on International Financial Reporting Interpretations (IFRIC) are called IFRIC interpretations. Since the moment of the standard elaboration to present the IAS and the SIC have suffered a series of changes which relate, on the one hand the decrease of accounting treatments variations and on the other hand, the changes that enrich the existing accounting treatment. Until today there were developed 8 IFRS, 16 IFRIC and 11 SIC (IFRS, 2009).

3. CASE STUDY: HARMONIZATION AND NORMALIZATION IN ROMANIA

During 1990-1993 the accounting literature in Romania talked about the new accounting system, a Soviet-style accounting system (Calu, 2005) with the application of an accounting system of French inspiration. Throughout this period the issue of the reform of the current system or of the adoption of a new one was raised. The Choice was to adopt a new accounting system and the first steps in this regard were:

✓The adjustment of the old accounting system in order to meet immediate needs arising from early adoption of specific laws with the market economy development and approval of the following main legislative rules: Law no. 15/1990 on the reorganization of the state as autonomous units and companies, Law no. 31/1990 on trading companies;

✓The elaboration of a basic legal framework for the organization of the accounts of new economic entities: companies, public corporations, individuals, family associations;

✓The elaboration of methodological norms no.2519/1991 regarding the coverage of capital accounts and other assets and liabilities related to the implementation of legal provisions, the establishment of autonomous management and companies, the

adjustment of the accounting officers, the administrative territorial units and other category units in the updated legislation.

All these efforts to align the business environment in Romania have culminated in the development and approval of the **Accounting Law 82/1991** and its implementing regulation.

The adoption of the accounting law led to the development of the general chart of accounts, the methodological norms of using accounts and the monographic of the main operations, the classification of records and standardized forms of common patterns regarding the financial and accounting activities, accounting records and rules of using them; the balance sheet and the methodological norms for their preparation, presentation and publication, etc.

Another important step was the reestablishment in 1992 of the Body of Expert and Licensed Accountants of Romania, namely the creation of the Accounting Advisory Board.

Starting with January 1st, 1994, Romania began to implement an accounting system of French inspiration, organized in double circuit, being used in Romania without too many changes until 2000. Premises of the changes were outlined in early 1997, when the Accounting System Development Program was launched in Romania, the program initiated by the Ministry of Finance, together with the Institute of Chartered Accountants of Scotland, intending to harmonize accounting in Romania with European norms and international accounting standards.

Among the most important Romanian accounting regulations to align with international standards, we mention: **-Order 94/29.01.2001 for the approval of the accounting regulations harmonized with the Fourth Norm of the European Economic Community and the International Accounting Standards**, according to which accounting rules were applied gradually to large and medium enterprises in the period 1999-2005. The application of these rules requires the pursuance of some conditions by the undertakers, namely: the turnover of the previous year: over 7.3 million Euros; the total assets for the previous year: over 3.65 million Euros; average number of employees of the previous year: 150.

- The Ministry of Public Finance Order no. 306/2002 simplified accounting regulations harmonized with European Norms, which apply to traders that do not meet size criteria set for the application of accounting regulations harmonized with the Fourth Norm, approved by the Ministry of Public Finance Order no. 94/2001 with subsequent amendments;

- The Ministry of Public Finance Order no.1.752/2005 applied for the approval of accounting regulations corresponding to the European norms. The main novelty of this order is the unification of accounting regulations. However, it should be noted that under the provisions of the Order no. 907/2005 regarding the approval of the categories of legal persons who apply for accounting rules in accordance with International Financial Reporting Standards (IFRS), i.e. accounting rules that comply with European norms, in the fiscal year 2006, credit institutions prepare a separate set of financial statements complying with the International Financial Reporting Standards for the information of the users, other than institutions. Also, in the fiscal year 2006, public entities, except credit institutions (which necessarily apply IFRS), produce a distinct set of financial statements in accordance with IFRS for the information of users other than state institutions, according to their options and if there is an appropriate implementation capacity. In order to comply with IFRS financial statements, legal persons who apply these provisions restate financial statements elaborated according to specific accounting regulations, consistent with European norms.

The most important step taken by Romania towards aligning national accounting standards to international standards, and therefore towards the internationalization of

national accounts, is the Order no. 3055/2009 for the approval of accounting regulations corresponding to the European norms, which repealed the order no. 1752/2005, and through its stipulations concerning the organization of accounting companies groups, the introduction of the accounting term of the consolidated accounts, the provisions on the wording, format and content of financial statements, Romania applied the accounting rules harmonized with IAS and IFRS starting with January 1st 2010.

4. CONCLUSION

The accounting harmonization initiated since 1990 has imposed a series of new essential coordinates of the national accounting system operating in developed market economies, such as:

- primacy of the practical application of accounting concepts, particularly regarding the objectives and generally accepted accounting principles in relation to accounting rules and regulations which relate primarily to the rules, the basic methods and the detailed accounting procedures;

- primacy of accounting dualism in relation to accounting monism whose essence is that of the market economy, at least part of the accounting information, particularly those related to: financial situation, results of economic and financial relations with third trader must be made public through financial statements;

- primacy of financial statements in report to the current accounts system, where the optics of the data processing accounting system had to change fundamentally;

- fundamental reconsideration of the importance of various characteristics of accounting information.

After long performed empirical studies we consider that the national accounting is strongly influenced by the taxation and the state, irrespective of the different circumstances involved in accounting practice, imposing strict rules which often lead to the impossibility of rendering a loyal image on the economic entities.

5. ACKNOWLEDGEMENTS

For Romania we consider it appropriate to switch from a normalization performed exclusively by the public authority to a joint normalization carried out by independent bodies representing the interests of all stakeholders. We also believe that disconnection should be made to tax accounting, accounting information being oriented towards the interest of the capital investors, situation specific to the Anglo-Saxon accounting, thus resulting the principle of fair image and professional reasoning.

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