

THE ACCOUNTING REFORM IN ROMANIA - NORMALIZATION AND REGULATION

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Abstract: Romania's legislative reform regarding the assimilation of the community acquis in the field of accounting and of International Standards for Financial Report (IFRS) has required the foundation of certain new authorities having responsibilities in the accounting field. Within such a process, the Ministry of Public Finances and the other authorities with settling responsibilities in the accounting field are responsible for the process of accounting settlement and the providing of European Directives conformity, as we should see through the content of this paper.

Key words: Directives, institutions, normalizing, accounting, mechanisms

1. INTRODUCTION

The paper presents the steps in the accounting mechanisms reform according to the European Union Directives.

This is practically a new synthesis approach and in this sense we have studied all the legal documents and statistics.

The result of the research is a correct and complete information according the accounting mechanisms and institution reform and for the future we have in mind to follow the facts and documents concerning this evolution in order to keep it actual and complete.

2. NATIONAL ACCOUNTING NORMALIZING AND SETTLING INSTITUTIONS AND MECHANISMS

Romania's legislative reform regarding the assimilation of the *community acquis* in the field of accounting and IFRS has required the foundation of certain new authorities having responsibilities in the accounting field.

Within this process, the Ministry of Public Finances and the other authorities with settling responsibilities in the accounting field (Romania's National Bank, the National Board of Movable Assets, and the Board of Insurances Monitoring) are responsible with the process of accounting settlement and providing conformity with the European Directives.

With these in view, the Accounting Law no. 82/1992 (modified and subsequently re-published for several times) and the regulations specific to the financial field stipulate clear responsibilities for such institutions regarding the regulating process as well as regarding the control and monitoring of the accounting field. The Ministry of Public Finances elaborates and issues: norms and regulations in the accounting field; the general plan of accounts; the models of financial reports, of registers, and forms regarding the financial and accounting activity; and the methodological norms regarding their drawing out and use. The elaboration of those regulations is done through consulting the professional organisms in the field (The Body of Accounting Experts and of Authorized Book-Keepers in Romania CECCAR, the Room of Financial Auditors in Romania CAFR).

The decision of implementing IFRS in Romania has implied the need of *new interfaces* with the European Union,

with its organisms of accounting regulations (the Accounting Regulations Committee – ARC, the European Financial Reporting Group - EFRAG) as well as with the organisms responsible for national standards within the member states. At the same time we deal with the need of matching the national activities in the field of accounting with those of the International Accounting Standards Board (IASB) and its committees; all data or directions regarding the implementation of IFRS should refer to the General Framework of IASB and to the principles that represent the foundation of each IFRS. Starting from the functions of such specialized organisms at the level of the European Union and the member states the main problems that are the responsibility of the Romanian Accounting Group (GRC) are the following ones:

- to offer a permanent structure and a unique source of technical expertise regarding the implementation of IFRS in Romania;

- to analyze the standards issued by IASB, the interpretations of the International Financial Reporting and Interpreting Committee (IFRIC) and to offer the required guidelines to Romanian users whenever necessary;

- to make sure that all IFRS and associated interpretations have the force of a law and to make sure that there is cohesion with the accounting regulations that can be applied to the other entities;

- to provide the management and the control of the process of translating IFRS and the other relevant stuff as a result of their adopting by Romania;

- to work with IASB and the other organisms in the field of accountancy within the European Union, with Romania's Ministry of Finance, and the other professional organisms concerning all the matters connected with IFRS.

The Romanian Accounting Group is a professional operational and independent component of the Accountancy and Financial Reporting Council (organism that includes all the authorities that settle the field of accountancy and audit) and should act with a view of matching the national regulations and practice in the field of accountancy and audit with the regulations implemented in the European Union. At the same time, the Romanian Accounting Group cooperates and employs the experience of CECCAR and CAFR regarding IFRS.

In order to carry out its functions GRC should act with a view of introducing non - amended IFRS in Romania and of identifying and eliminating all conflicts between the laws in Romania and IFRS. Consequently, GRC should found and maintain with IASB and the other European organisms permanent relations so that Romania might provide those who are interested a set of IFRS as they are issued by IASB, approved by the EU and translated into Romanian.

The cooperation with IASB is carried out as follows:

- by involving in an independent "research project" or in a partnership with a team belonging to other national organisms that settle standards (either as a leader of the team or as a member of the team) under the guidance of IASB's staff and of certain members selected by the Board;

- by involving in a “team for a project” which includes national or regional organisms that settle the standards within an active project, under the guidance of IASB’s staff and/ or of the staff of the Financial Accounting Standards Board (FASB). The national organisms that settle standards should, according to the available resources, deploy a research activity and involve in the projects’ teams.

The organism of settling/ implementing accounting standards should monitor the implementation of IFRS under their jurisdiction, identify the aspects that might require interpretation and ask IFRIC and IASB to approach those aspects. In case an aspect of a certain jurisdiction does not display a vast relevance and IASB or IFRS decides not to approach that aspect, an organism of settling standards should issue its own comments only when they are compatible with IFRS.

In 1999, the Ministry of Finance started a *project of matching Romanian legislation* in the domain of accounting and audit with IFRS and the Directives of the European Union in the field. The *project* determined fundamental changes of legislation:

a) *Matching financial reporting of large companies (economic entities) with the demands of IFRS and, to a smaller extent, with the 4th Directive of the European Union* owing to the Order of the Minister of Public Finances no. 94/2001, “Accounting regulations matched with the stipulations of the 4th Directive of CEE and the International Accounting Standards”. The influence of the EU regulations has resided in the fact that the Order’s structure generally maintained the structure of the stipulations of the 4th European Directive. The influence of IASB has mainly consisted in the fact that Romanian companies were required to draw out their yearly accounts (which observe the structure stipulated by IASB’s Framework of preparing and displaying financial reports) both according to the Accounting Law no. 82/1992 (modified and republished) and according to the IASB’s general framework regarding the drawing out and displaying of financial reports and to the International Accounting Standards.

b) *Matching of financial reporting in case of small and medium sized companies* (including micro-companies – which are only separated from the point of view of the taxes) which have applied, beginning with 2002, the Order of the Minister of Public Finances no. 306 – a combination of the spirit of international accounting norms with that of the European norms while stressing the latter ones.

c) *Beginning with 2006, the Romanian accounting system has adopted the European accounting directives (updated, at their turn, according to IAS/IFRS)*. The Order of the Minister of Public Finances no. 1752/2005 regarding the approval of the accounting regulations according to the European Directives has been applied since 2006; it replaced Order 94/2002 and a series of other orders and regulations previously issued by the Ministry of Public Finances.

3. CONCLUSION

Synthetically, the characteristics of the Romanian present accounting system are the following:

Pluses:

The accounting stipulations that regard economic operators observe the stipulations of the European Directives in the accounting field, namely the 4th Directive of the European Economic Communities 78/660/EEC and the 7th Directive of the European Economic Communities 83/349/EEC.

A common framework of accounting settlements has been created for all economic entities as a result of the implementation of Order no. 1752/2005 on 01.01.2006 which is considered to be the brake point in the regulating process.

The implementation of the above mentioned order has had implications upon the transparency of information that

characterize the activity of the groups of companies; besides the yearly individual financial reports of the entities, consolidated yearly financial reports are drawn out and published (in case certain size criteria are carried out: total assets: 17 520 000 euro; net financial result: 35 040 000 euro; average number of employees during the financial exercise: 250).

The companies whose movable assets, at the date of the balance sheet, are admitted to be transacted on a settled market and that draw out *yearly consolidated financial reports* implement the International Financial Reporting Standards when drawing them out according to the stipulations of the Order of the Ministry of Public Finances no.1121/2006 regarding the implementation of the International Financial Reporting standards. Accordingly, the demands of Regulations no. 1606/2002 of the European Parliament and Council regarding the implementation of the International Financial Reporting Standards are observed.

Minuses:

At present the reporting model is not yet meant for external investors; it rather meets the demands of the fiscal authorities regarding taxes or the evaluation of a company’s activity in the context of the State’s macroeconomic policy; the demands of the banks that continue to offer the main financing resource of the companies determining conservative, prudent practices like:

- the present implementation of the International Financial Reporting Standards in relation with the State’s institutions; the need of their implementation limits to yearly consolidated financial reports drawn out by the companies whose movable assets, at the date of the balance sheet, are admitted to be transacted on a settled market.

- the separation of accounting norms from fiscal norms are still at a theoretical and practical level;

- the particularization of international/European norms in case of Romanian economic and financial conditions;

- simplifying the accounting norms that regard small and medium sized companies although they are still components of a unique accounting system.

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