

European Union Integration of Romania and Process of Accounting Normalization

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Abstract: Lately the problem of national accounting disparity became stringent while the unification pressure became more powerful. Transnational corporations are being lasted for long time. Business globalization led to number companies hereinabove proliferation as well as countries wherein they are operating. Along with business globalization another criteria pointing out the requirement of accounting harmonization is being characterized by capital market globalization. Considering the fact that types of activities became transnational, territorially as a matter of fact, exigency and requirement of different countries capital infusion occurs. Nowadays competition between capital markets might be one of the strongest factors of internationally accounting harmonization encouragement.

Keywords: European Union, Romania integration, globalization, harmonization, accounting.

1 Introduction

It is well known that law system widely influences accounting system. Emerging from hypotheses hereby idea of different accounting systems requirement valid to each country individually is being acknowledged.

An evenly distributed global accounting was and it is being now basic objective of field specialists. Accounting, as fundamental communication tool, differs from one country to another according to its content and methods of application. Differences between accounting systems at national level might result in inefficiency, opportunity lack and distortions of companies and market operators' behavior. Recently, when pressure of unification enhances national accounting disparities issue has become more stringent. Transnational corporations are being lasted for long time. Business globalization led to number companies hereinabove proliferation as well as countries wherein they are operating¹ (Pleșea D., 2008).

Accounting in its deepest meaning emphasizes a business language that is to communicate economic issues in each state that needs to be adapted to dialog provided with fiscally authorities, banking agents or investitures. Along with business globalization another criteria pointing out the requirement of accounting harmonization is being characterized by capital market globalization. Considering the fact that types of activities became transnational, territorially as a matter of fact, exigency and requirement of different countries capital infusion occurs. Nowadays competition between capital markets might be one of the strongest factors of internationally accounting harmonization encouragement. First of all there is about information perception elaborated in a national accounting

¹ Pleșea D., (2008) *International Accounting Convergence*, Omnia Unisast Publishing House Brasov.

system. Transnational companies would want to apply a homogeneous accounting system to every patrimonial entity or organization as long as it eases internal control and simplifies outer accounting financial audit. Companies are committed to display their accounts at national level mostly for fiscal reasons. Transnational corporations' group audit makes accounting disparities between different countries to appear as obstacle to financial accounting information understanding.

Accounting association to a language is built on premise that science hereby is being a tool invented by society in order to assemble and forward special kind of information. Differences between groups of states accounting systems are assimilated as cultural diversity.

The unwritten rules hereinabove being part of certain society culture inquire regulation proceeding that differ from one country to another. Procedure, the chosen tool for accounting adjusting is being an important cultural item. Therefore it might worth to relieve the fact that no state has any accounting rules kit available that would offer coherent advantages where through getting opportunity of showing up and being assimilated by entire world² (Barry Elliott, 2000). No one could pretend to be the absolute truth owner including that of accounting reality. Therefore no government might pretend to be the unique holder of right regulation and procedures kit.

Likewise, considering the accounting uniformity principle, it might certainly be confirmed that no state has incisive and precise regulation made right accordingly to accounting field. Legal regulation device are very much different from one country to another, taking in consideration low system, so that Anglo-Saxon states in their quality of unwritten law proponents are giving away by means of minimum legal adjustment and self adjustment provided by accounting proficiency. Low system could rapidly and easily adapt to business environment occurred changes.

Other countries, such as France see accounting law as social agreement concluded as result of compromise carried by involved parties. French low system eliminates the possibility of accounting regulation set up to be left on behalf of private interests. However even in Romania issue hereby could be handily identified wherefore accounting regulation is being controlled by government. Concerning German accounting and law system the accounting might be reduced up to German Trade Policy provisions application. Inhere the amendments are quite seldom being limited to new interpretation of old rules within Trade Policy³ (Lisa Evans, 1998).

U.S.A. regulation policy is divergent to other counties by nature of provisions contained in there. Private area is thereby publishing accounting provisions that would cover particular accounting problems or situations. U.S.A. owns the greatest standard assessment characterized by elevate professional level. Even S.U.A. accounting policy displays compromises provided among different interest categories.

Therefore currently there are three conceptual frames worldwide (accounting systems, patterns) lately crystallized, namely⁴. (Feleagă N, 2002)

- **American Conceptual Frame** (American accounting framework), the result of American accounting environment reflection during certain period of time (1973-1985) wherein accounting objectives are being researched in order to approach information, trough their appliance, to approach decisions regarding investments, financing and operation activity of a company, which presume tool invention that would allow consolidated accounting policy elaboration;

- **International Conceptual Frame**, also called "Framework for the Preparation and Presentation of Financial Statements": published in **July 1989**, it is hereby inspired from American conceptual frame essence, being so far particularized by "desire" to not predominately address certain user category (particularly, investors, like its "predecessor" does), but to a wide range of users, which shows its "social" provenience;

² Barry Elliott, Jamie Elliott, (2000) *Financial accounting and reporting 1999- 2000*, 4th Edition, Pearson Education Limited

³ Lisa Evans, Christopher Nobes, (1998) Harmonization of the structure of audit firms: incorporation in the UK and Germany, *The European Accounting Review*, 1998, 7:1

⁴ Feleagă N., Malcu L. , *Accounting Policies and Options*, Economic Publishing House, Bucharest, 2002, page 33

- **British Conceptual Frame**, also called “ Statement of Principles for Financial Reporting”: published in **December 1999**, frame hereby represents the finest product for accounting conceptualization, therewith globally it is being the beneficiary of previous reflections of American and international normalization authorities and also of British normalization commission efforts (ASB), of its preferential assembly perfecting; British frame displays principles that ASB sustains in order to provide and report financial statements on regular basis.

Romania after 1989 could be divided in following stages:

A. 1990-1993 period of old soviet partly updated accounting provisions application according to new production relationship and private capital phenomena;

B. 1993-1998 period of accounting provisions inspired by France application wherein Accounting Law Application Policy was thereby approved as official act according to HG 704/1993.

C. 1998-2005 accounting provisions harmonized with IAS and European directives in two versions:

1. **Accounting version integrally harmonized** (developed) – predicted to be applied by installment for Romanian companies according to a program approved upon OMFP 94/2001 for 2001-2005. The version hereinabove has been applied by companies tat on January 31st of past year have been accomplished at least two of three amount criteria established for the reason hereby: CA, total assets, employee average⁵ (Pleșea D, 2008).

CA = 7, 3 mil. Euro on January 31st, 2004

Total assets > 3, 65 mil. Euro

Employee average > 50

Financial statements concluded by companies upon version hereinabove are: balance sheets, profit and loss accounts, private capital modification report, exchequer flow report, accounting policy and annotations.

2. **Simplified accounting version** – is being applied since 2003 to all enterprises accomplishing at least two of the amount criteria set up upon past year provided data.

D. 2006 – till now, period of accounting provision application according to European directive (O.M.F.P. 1752/2005).

According to new provisions hereby, corporate bodies that in the day of accounting audit are overstep the boundaries set by following 3 criteria, thereby called amount criteria:

- total assets: 3.650.000 Euro;
- clear turn-over: 7.300.000 Euro;
- employees average in financial practice: 50 employees are providing yearly financial statements that contain:

 - balance sheet;
 - profit and loss account;
 - private capital modification report;
 - exchequer flow report;
 - annotations to yearly provided financial statement.

Corporate bodies that in the day of accounting audit do not overpass limits set by two of amount criteria nominated above shall provide yearly financial statements taht include:

- brief balance sheet ;

⁵ Pleșea D., (2008) *Financial Accounting for Companies*, Romprint Publishing House, Brasov

- profit and loss account;
- annotations to yearly simplified financial statement.

On facultative basis, they may provide private capital modification report and/or exchequer flow report.

2 Conclusions

It should as well be mentioned that, dependent upon European Union provisions requirements evaluation provided by involved institutions, Ministry of Public Finance, National Bank of Romania, Commission of Insurance Control and Commission of National Real Estate Patrimony shall establish International Standards Financial Reporting application conditions starting with financial statements provided for 2007.

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