ASPECTS REGARDING IFRS IMPLEMENTING IN THE ROMANIAN ACCOUNTING ENVIRONMENT

REPERE PRIVIND IMPLEMENTAREA IFRS ÎN MEDIUL CONTABIL ROMÂNESC

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Abstract: *The present article aims the chronological evolution of the Romanian Accounting System from the Communist Regime's fall until present. The research emphasizes the trial to harmonize step by step the Romanian Accounting System to the European Directives and the IFRS standards.*

Key words: *IFRS, economic market, harmonization, European Directives.*

INTRODUCTION

After the fall of the communist regime and until present, the changes in the Romanian accounting have followed a path which first targeted the harmonization with the European directives and international accounting standards (in the past) and later in compliance with the European directives (in the present) and IFRS (for the future). The Romanian accounting has a past, it lives its present but it is heading with fast steps towards a modern accounting. The future of the Romanian accounting is closely related to continuity of developing an accounting system directly connected with the tendencies which show on the European and international level: the globalization of businesses, the modernization of economies, and the development of telecommunication and internet. All these claim a new approach towards the communication of the financial statements.

MATERIALS AND METHODS

In order to elaborate this study, there have been used several methods like: comparative analysis, in theory and in practice, synthesis, induction or deduction.

RESULTS AND DISCUTIONS

The "red" period in Romania's accounting was determined by the Marxist economy model; the financial statements were intended to create statistics which were used to follow up of the fulfillment of plans at the national level. After the Second World War, Romania entered in the Soviet influence era; hence, Marx came and influenced our accountancy.

After the fall of the communist regime in December 1989, the new authorities have created a series of legislative reforms which aimed at orienting Romania's economy towards a market economy. Until the end of 1991, the change of the Romanian accounting was in full swing. Romania had to choose from the variety of existing accounting models from the Western European countries. Finally, Romania adopted a continental accounting system. The accounting reform of 1991-1994, although correct as option, was the result of a political hazard and the professional effort of a group of French experts who helped implementing a new system. Choosing an accounting model with French influences was not a mistake.

The model which was chosen after the fall of the communist regime was adapted to the Romanian traditions, conditions during those years and even easily adaptable to the Romanian economy. Some consider that the Anglo-Saxon model would have been more suitable.

The introduction of the new accounting system opened up an important step towards reforming the Romanian accounting. Even though the accounting system implemented after 1994 by the 704/1993 regulation has a series of shortcomings, we shouldn't neglect the positive aspects of this system. Although the state still remained the most important user of the accounting information, the new system addresses to more categories of financial-accounting information users, making an opening to European Directives. It seems that the French system represents the alternative and the optimum model in the reforming process during the years after the fall of Ceausescu's communist regime. Choosing the French model ensures a certain compliance with the European accounting directives.

Just like in the case of any beginning, the road that the new system has traveled through was hard and difficult. A series of shortcomings of the new system implemented after 1994 were often mentioned in the accounting literature. Out of all shortcomings, we can mention: the insufficient defining of the principles mentioned in the implementing regulations of the Accounting Law; the nonexistent distinct presentation, in a separate chapter, of the terminology used, so that the element presented in the financial statements could be better understood; there aren't any references regarding

the qualitative characteristics of the financial-accounting information; there aren't defined rules, related to the valuation methods and for determining the result; also, we should mention that the Romanian economical situation from that period would have required an inflation accounting, with specific methods of valuation of the economical assets; there weren't established any criteria for recognizing the elements which are the subject of registration in the financial statements; in the case of the financial statements, the use and presentation of certain simplified financial statements for the small and medium enterprises weren't provided.

Aside from the positive aspects and the shortcomings, the new accounting system, introduced after 1994, represented an important step in the path to reform the Romanian accounting in the context of globalization of the financial markets. However, somewhere in the Romanian air floats the need to continue the reform.

The Romanian society, which was in a period of transition from the Communist Regime economy to a *market economy*, tried to solve its problems by taking part and adopting the solutions offered by the IFRS standards, which gained at that period more and more importance worldwide. Proof that this problem has become a worldwide issue and it is not just a reason to an academic dispute, is the release by the Ministry of Public Finance of the accounting regulation for harmonization of the Romanian Accounting System according to the 4th European Accounting Directives and with the IFRS standards.

A team of the Institute of Chartered Accountants of Scotland, led by Mrs. Aileen Beattie, director of the Auditing and Accounting Department, offered expert advice in order to achieve a successful implementation of the *Harmonization of European and International Accounting* Program in Romania. The Ministry of Foreign Affairs of Romania and the Govern of Great Britain concluded an agreement in 1996, through which the Department for International Development of Great Britain created a professional assistance program of accounting for Romania. The director of this program was Neale King. In conclusion we can talk about an Anglo-Saxon influence in the Romanian accounting legislation system.

The result of this assistance was visible by the appearance of the 403/1999 regulation for the approval of the accounting regulation harmonized with the 4th European Accounting Directives and with the IFRS standards, which later was replaced by the 94/2001 regulation under the same nomination. The 94/2001 regulation marked a very important turn in the normalization and improving process of the Romanian Accounting System, guiding to an international one. The accounting regulation

harmonized with the 4th European Accounting and with the IFRS standards, approved by the 94/2001 regulation, were applied starting on the financial situations of the year 2000 and provided application only to a limited aria of IFRS standards referred to the Romanian companies (companies listed on the Bucharest Stock Exchange, autonomous societies, national companies and other investments with a national interests or/and other types of companies which operates on the capital market).

Professors Malciu, Feleagă and Bunea declared their reservations about the coverage of such many types of societies. The reservations are related to the fact that the implementations of the IFRS standards in Romania are a high effort for the country. But this effort is only justified in case of the companies which are searching for foreign investments and they need to use a universal accounting language understood by the international economic community. Anyway these societies were just a small part of the companies activating in year 2000 on the Romanian Economic Market. The question which appeared was: "Why the Ministry of Public Finance predicted such a large area of application?"(Malciu, L., Bunea, Ş., Feleagă, N.,2000).

The Romanian legislators were guided by the phased implementation of the 94/2001 regulation according to the size of the company. In this way, by the end of 2005, all the large companies would have entered into the scope of the IFRS standards. The financial situations of these companies have been audited by financial auditors. For the period between 2001 and 2005, the implementation program of the accounting regulations harmonized with the 4th European Directive and the IFRS standards is as follows: (regulation 94/2001 article 2)

Financial year end	**The turnover of the previous year (euro)**	**Total assets for the previous year (euro)**	**Average number of employees in the previous year**
31st of December 2001	Over 9 million	Over 4.5 million	250
31st of December 2002	Over 8 million	Over 4 million	200
31st of December 2003	Over 7 million	Over 3.5 million	150
31st of December 2004	Over 6 million	Over 3 million	100
31st of December 2005	Over 6 million	Over 2.5 million	50

For all the other companies considered "small" were used the simplified accounting regulations, harmonized with the European Directives. In this way, in 2002, the Ministry of Finance elaborates the 306/2002 regulation, "Simplified Accounting Regulation harmonized with the European Directives" which is the simplified version of the regulation for the large companies.

These regulations contain accounting rules for small and medium societies and were applied by those which meet at least two of the next conditions: the turnover is no larger than 5 million euros; the total assets are no more than 2.5 million euros; the medium number of employee is no more than 50. (regulation 306/2002 article 3)

At the same time the rules were released for harmonizing with the European Directives and IFRS standards for specified domains like: loan institutions (law 1982/5/2001), insurance institutions (law 2328/2001) and supervised companies listed on the National Commission of Real Estate Values (law 1742/2002). Thus it has been passed to the application of modern accounting to take account of economic system, which keeps account of the reality of the present economy, offering the bookkeeper a way to generate valuable judgments, to put his accounting thinking into practice. Of course, before the appearance of the law 94/2001 there were a number of issues, a number of controversies regarding the changed attitude in accounting, these were solved and answered and hence it managed to create a new Romanian accounting reform.

The ambition to harmonize the Romanian accounting system with the regulations of the 4th European Directive and with the IFRS standards was definitely exaggerated. In the year 2000, the 4th European Directive and the IFRS standards weren't in a perfect harmonization and finding a way to harmonize it, it is a long term action. In addition, let's not forget that the 4th European Directive is a product of the 1970s, while the IFRS standards suffered lots of changes and reviews along the years to keep up with recent developments in the world economy and evolutions of the international economy scene.

The new harmonized regulations with the 4th European Directive and with the IFRS standards were characterized by a higher degree of flexibility, adapted to the dynamic and flexibility of the evolving environment of the market economy. Professors Cameniţă, Belean and Nicolaescu said that "in a market economy based on autonomy and freedom of choice of the companies, the accounting language cannot be realized following some stiffly rules made and created by the state, instead it's necessary to be created by the users and the creators of the accounting information".(Cameniţă, Belean and Nicolaescu,2000)

According to the initial strategy of the Romanian legislators, starting with 2006, the Romanian financial accounting system needed to work in two "gears": one for the large companies, which applies the harmonized rules with the IFRS regulation and the European Directives, and another one

for the small companies, which applies a simplified regulation of those for the large companies. (Ionaşcu, I., et al, 2006)

Through this process the Romanian accounting board decided that the IFRS standards should be applied to a large area of companies, instead of the European Union decision to apply the regulations only at the level of the consolidated societies listed from beginning of 2005. The Romanian accounting board followed their own strategy. This is justified by that the harmonization process with the IFRS standards, wasn't determined by the requirements of the integration process to the European Union, and has been a previews process created to insure an attractive investment environment.

The big advantage of this program, approved by the law 94/2001 is the fact, that by reporting to the 4th European Directive and the IFRS standards, the Romanian accounting system is putting the foundations of emancipation. This emancipation got in sight both the final products of accounting (financial statements) and the accounting professionals by creating conditions to use their professional judgment. But creating financial statements in accordance to the IFRS standards is possible only in the situation when the disconnection from the fiscal system takes place, and the Ministry of Finance didn't announce explicitly about this disconnection. In the situation of the harmonization of the Romanian accounting with the 4th European Directive and the IFRS standards, it is necessary that the accounting not to be limited fiscally, but instead to be orientated to the basis for economic decisions. The problem of the disconnections of the accounting from the fiscal remains an open problem even today.

By the year 2006, there it took place a collapse of the use of IFRS standards by the Romanian legislators. In 2005, the Ministry of Finance rethinks the application policy of the IFRS standards, giving up the regulations of the laws 94/2004 and 306/2002. In the same year, there were adopted the accounting regulations according to the European Directives (with the law 1752/2005) for both the independent financial statements and for the aggregated once. Beginning with 2006, there entered into force the accounting regulations according to the European Directives even for the financial intermediation entities, from the banking and insurance areas. Hence from 2006, only the credit institutions had to compile some specific financial statements according with IFRS, for their personal use of informing the users, other than those compiled by the institutions of state, leaving it up to other public institutions, this option is applied only if they have the ability to implement it appropriately.

These public institutions are: insurance institutes, insurance – reinsurance institutes and reinsurance institutes; societies regulated and

supervised by National Real-Estate Commission (CNVM); societies listed at the stock exchange; national societies; legal entities part of a group of societies which enter the perimeter of consolidation of a parent company which applies IFRS; legal entities other than the upper once, and which benefit grants or loans guaranteed by the state. According to the regulation 1121/2006 referred to the application of the IFRS standards, the societies with a real estate value admitted for transaction at the moment of the balance sheet, to a regulated market place and which prepare consolidated financial statements, are required to apply the IFRS for writing the consolidated financial statements. All companies are required or have chosen to apply IFRS standards should ensure the continuity of their application. In 2009, The Ministry of Finance releases the 3055 regulation applied from the 1st of January 2010. The regulation continues the harmonizing procedure started in 2006, when the 1752/2005 regulation (now canceled) started the synchronization process with the European Directives. The European Rules (the 4th Directive of the European Council 78/660/CEE and the 8th Directive 83/349/CEE) are basis the current Romanian accounting regulations. The present Romanian accounting rules, approved by the 3055/2009 regulation are structured in two parts: accounting regulation according to the 4th European Directive, accounting regulation according to the 7th European Directive

In the present Romanian accounting rules harmonized with the European Directives, there are a series of convergences with the IFRS, such as the provisions related to: the conceptual framework for the preparation and presentation of financial statements, the accounting treatment for recognizing and measuring events in the financial statements and the presentation of information in financial reports. The present 3055/2009 regulation "Accounting regulations according to the European Directives" is centered on: (CECCAR, 2010) preparation and presentation of the financial statements; general chart of accounts; recognition and the evaluation of the assets structures, debts, equity capital, incomes, spending and cash; internal accounting control.

CONCLUSIONS

In conclusion we can say that the harmonization of the Romanian accounting system with the European Directives and the IFRS standards opened up a way to a professional and flexible accounting system, facilitating foreign investments by presenting more transparent and relevant financial statements. It is necessary to find some solutions and to solve correctly all the accounting aspects of the Romanian accounting system. The

involved institutions in the implementations of a modern Romanian accounting system must pool their efforts for emancipation of our accounting system, as Romania has already embarked on a path line and going back for sure won't happen.

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