SUSTAINABILITY OF ADAPTATIONS TO THE ANGLO-SAXON ACCOUNTING SYSTEM IN ROMANIA

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Abstract:
The purpose of this article is to highlight the necessity of integrating sustainability in the financial reports of Romanian companies and implicitly in the competences of the accounting specialists. Starting from the similarities and differences of the two accounting systems, continental - applicable at present and the Anglo-Saxon accounting system - to which it strives, we have addressed the problem of adapting to the international accounting system in Romania. We studied the extent to which the national accounting system requires a reconfiguration under the influence of the tendencies of sustainable economic development.
The dual accounting system in Romania involves the development of a separate circuit for management accounting, a circuit whose deliverables are known only by the manager and less by the other users. As a result, the financial reports are incomplete, from this point of view and in most cases the users of financial statements make decisions based on incomplete information or affected by taxation.

***Keywords**: managerial accounting, the Anglo-Saxon system, the continental system, harmonization.*

JEL Classification P 51, P 52.

Introduction

Over time, accounting has been analysed and presented in the specialty literature as science, technique, art or language. It was analysed as an enterprise management tool and last but not least it was described as a subjective social construction, a social game in which various actors participate and which is influenced by written and unwritten rules, by political, economic, cultural and religious factors.

Taking into consideration this aspect, the accounting, in the social construction position, bears the imprint of the economic reality, permanently dynamic, and of a set of factors that have led to the shaping of various accounting systems. Among these, at a global level, the Anglo-Saxon accounting system and the continental one stand out as two important landmarks or milestones.

Specific to some countries or states such as the USA, UK, Australia, Canada, New Zealand, the Anglo-Saxon accounting system is the exponent of the faithful image, of the independence from taxation, jurisprudence and economic liberalism. It is based on a conceptual framework structured on principles whose application must lead to the adoption of rational decisions regarding the efficient use of the resources. The measurement, control and reporting of performance are oriented towards microeconomics and reflect a culture of individualism and decentralization towards the state.

In the Anglo-Saxon world, the legal system is dominated by jurisprudence, and the rules are elaborated or developed by the professional bodies. Disconnected from taxation, the accounting should reflect a fair image of the transactions and presented events, and in practice, the disclosure of information is detailed and transparent, there are no limits on the profit distribution, nor the tendency to set up hidden reserves.

Also, specific to the Anglo-Saxon system is the monist accounting circuit, and the tracking of the expenses by destination responds to the particularities of a system oriented to measuring the managerial performance at the microeconomic level and reporting it to the

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main users of information. The specific indicators of this system are the accumulation margins, and the economic reality takes precedence over the legal form.

By comparison with the Anglo-Saxon accounting system described above, the continental accounting system is mainly characterized by the macroeconomic orientation, the influence of taxation and governments.

It is based on a general accounting plan, and the accounting serves as evidence in Court and as basis for determining the taxable income. The legal system is dominated by the written law, therefore the law is the one which prescribes detailed accounting rules, with priority in front of the professional bodies. The principle of prudence is of particular importance and it often leads to compromises regarding the true image, to the establishment of hidden reserves and limitations of profit distribution. In this system, both dualism as well as the accounting monism meet, the expenses can be classified by nature or by the functions and there are tracked the intermediate management balances.

The Specialty literature

According to the definition given by the Institute of Management Accountants, the managerial accounting is the process of identifying, quantifying, collecting, analysing, processing, interpreting and transmitting information and used by management in order to carry out the functions of planning, implementation and control within the organization and to ensure the use and the appropriate emphasizing of its resources.

The theoreticians (Johnson and Kaplan, 1997) generally place the emergence and development of managerial accounting in the USA, and its "export" in the developed and emerging economies has been folded on the cultural model of each country and at the microeconomic level it was adapted to the needs of each organization. Thus, although the managerial accounting has a clear or an obvious Anglo-Saxon footprint, the economic conditions have led to a different development of it in each country.

Nobes and Parker (2008) consider that the reasons for this heterogeneity can be explained by a belief system called "culture". At the macroeconomic level, the management accounting practices (concepts, ideas, techniques, systems) as well as the theoretical aspects have converged at the global level, but at the microeconomic level, the cultural differences are reflected in the manner in which the information is processed with the purpose of being used in managerial accounting in different branches of the multinational companies.

The studies conducted or made by (Chandler, 1997) reveal the fact that an important role in the strategy and decisions of the companies is played by the organizational culture and depending on the particularities of each, the objectives of the management and control system are varied by reducing the costs, increasing the sales, the profit margin, reaching the strategic objectives of the company, the budget fit.

The need of managerial accounting and control derives from the company's strategy itself.

Thus, it provides information to the management and it is used as a tool to ensure the achievement of the organization's objectives, by proposing five main directions of analysis:

- what is the strategic objective of the company;
- what resources are needed and from where they can be purchased;
- if there is a monitoring and control system that should detect the deviations and to propose corrections;
- how can the entity know if it has achieved its proposed objectives;
- how the performance of managers is evaluated and rewarded.

The registration of operations regarding the collection and distribution of the expenses by destinations, activities, sections or phases of production, the production reimbursement or settlement, the calculation of the cost of production of the finished products, the executed works and provided services, the establishment or setting of the sale price are registered within the sphere of managerial accounting. Through specific techniques and procedures, the managerial accounting provides information regarding issues or aspects such as:

- knowledge of the production costs;
- establishing the sale prices;
- determining and controlling the efficiency of the company's activity;
- determining the evaluation basis for certain balance sheet items;

By addressing to the management, in the planning, decision and control processes, the managerial accounting provides information necessary for the short, medium and long term decisions regarding the establishment of the production and sales objectives, the strategy of achieving them, the allocation of resources, thus allowing the measurement , controlling and reporting the performance of the organization.

The management and cost calculation in the Anglo-Saxon countries and in the continental countries

Monitoring of cost centers, tracking the level of expenses, allocating them in accordance with the company's functions, calculating the production cost, reaching profit targets are among the most important aspects of the managerial accounting.

In order to determine the cost of production of the finished products, the cost of the executed works or of the provided services, within the management and control system of the company, a classification of the expenses is achieved according to different criteria. Thus, in terms of the nature of the costs involved in the production process, the most significant are represented by the workmanship or manual labour and direct materials. However, from the point of view of the functions of the organization, these, together with expenses such as wage expenses/salary, financial or with the damping, are grouped together into expenses of supply, production, sales, administrative, research-development.

Depending upon the correlation with the object of calculation, the expenses are divided into direct and indirect ones, and according to the variability in relation to the volume of the activity, they are classified into fixed, variable, semi-variable expenses.

One of the most popular methods of cost calculation is the Activity based costing method; it originates in the USA, in the work of J. G. Miller and T. E. Vollmaan, "The Hidden Factory", in which the causes and behavior of indirect costs were analyzed. The first steps in establishing a system of cost calculation by activities were made by the authors Kaplan, Cooper and Johnson in 1987.

Activity based costing is a method of calculating costs which is based on identifying the company's activity centers and distributing the costs of the products and services on these centers depending upon the number of transactions or events involved in obtaining them.

The fundamental concept of this model of cost calculation is the consumption of activities and unlike the traditional methods of calculation, which are based on the division of the costs of the production-costs of the time interval, the ABC method achieves a better correlation between the activities, costs, products, bringing certain advantages, such as:

- the possibility of integrating into the production cost the share of the administrative costs, which can be directly attributed to the production process;
- the method allows the incorporation of costs at a real level, to the extent of the actually used capacity;
- it makes possible the identification of the cause-effect relations between the products and the expenses;
- it realizes the rational allocation of the costs upon the products, the regrouping by activity centers , based on the clear identification of the causes and the behavior of the indirect costs.

Despite the fact that it involves difficulties as compared to the traditional methods, requiring a better monitoring of costs and the centers of activity, at practical level, the method is used by numerous companies and implies, broadly, the covering of the following stages:

- the identification of the activities that generate costs;
- establishing the reference measures or quantities for the distribution of indirect costs;
- the establishment of the regrouping centers, based on the reference values/measures in the generation of costs;
- calculating the cost per component of the products or services;
- determining the cost of production, consisting of direct and indirect costs, to which it is added a share of administrative expenses and sales expenses, thus obtaining the full cost.

Within the American companies, the ABC method is used for the internal needs of information, but it is not suitable for the external reporting; the information regarding the cost of production requested by GAAP involves the division of the expenses in accordance with the traditional methods in production costs and costs of the time interval.

The Anglo-Saxon approach

The Anglo-Saxon accounting system is based on a coherent conceptual framework structured on objectives and principles, not influenced by rigid regulations. The objectives and fundamental principles of the system are admitted by the liberal accounting profession, on these being based the accounting rules and procedures.

Within this system there is no precise and rigid general accounting plan that the entities are obliged to apply, and the administrators have a great freedom in elaborating the situations provided that it reflects the faithful image, which is the reality of events and transactions.

The management accounting has developed since the industrial revolution of the XIXth century. In the beginning, most of the companies were controlled by a few people, who associated based on trust and invested their personal wealth. For these reasons, there was no need for elaborate reports. On the other hand, accounting provided the essential information for management (Chandler, 1977) and had a faster evolution.

The procedures regarding the cost of the stocks adopted by accountants after the beginning of the twentieth century had a great impact upon the management accounting (Johnson and Kaplan, 1987). Consequently, for several decades accountants were concentrated on obtaining accurate and timely reporting, aspect related to managerial accounting.

The evolution of the management accounting was interrupted in the first half of the century, in proportion as the number of products increased and the production processes became more complex, visionary companies such as Du Pont, General Motors and General Electric felt the need for reports oriented to the management's needs , other than those specific to the financial accounting.

But in most of the companies, the tools used in management accounting until the mid-of the 1980s were about the same as they were before the First World War. However, in recent years, new economic changes have led to managerial accounting, customized by: Just In Time, Total Quality Management, Activity Based Costing, Balanced Scorecard, Constraint Theory, etc.

The need for cost control in order to increase productivity and to improve efficiency in the industry has provided costs' accounting an important place in the field of scientific management. Thus, arguments have been advanced for the formation of some professional accounting associations, which had to promote the function of the accounting.

In the 1950s, the Institute of Cost and Work Accountants became a respected professional organization, and contributed to the national well-being and efficiency of the industry.

Many theories have been put into practice from the early works of cost accounting, until the 1930s, when a group of economist specialists approached the relevance of business accounting procedures, with an emphasis on the usefulness of cost accounting in business decisions. These specialists have been looking solutions to update the traditional accounting, by prevailing economically oriented approaches (Baxter, 1991). The traditional London theory regarding costs was based on real information/data, so the studies were pragmatic, with practical meanings and not theoretically isolated.

The continental approach

The continental accounting system, is based on the IVth Directive of the European Economic Community regarding the structure of the annual accounts and the VIIth Directive regarding the consolidated accounts. This system does not have a conceptual accounting framework, the accounting information being strongly influenced by the legal form of the events and transactions, and the fiscal rules and regulations have a significant influence on the accounting.

The continental managerial accounting in France is based on two contradictory, but at the same time complementary approaches: a cost analysis used for evaluation and an ad-hoc approach used for decision making, called the Dashboard. It is interesting to examine the practice of managerial accounting from France because, unlike what is mainly found in most cultures, France has a unique system, almost universally accepted for the cost analysis and the determination of the cost of products. The current version of this system is described in Title HI of the General Accounting Plan from 1999. The earlier versions of the system were developed by practitioners in specific account plans for more than 20 industries. Other industrial branches have developed unofficial plans. Each of these plans is a declination of the basic system frequently used in order to suit the specific needs of each industry.

In contrast to the situation in the United States, where only the industries related to the Government must follow certain rules in costing calculation, the French approach, in order to facilitate fair competition requires the application in all industrial branches, whether or not they interact with the state. Of course, telecommunications and the aerospace industry were among the first to develop the cost calculation specific to their needs, but the other branches also built an almost standardized protocol.

The interwar time interval was extremely productive in terms of management accounting in France: the main issues discussed were the full and partial calculation, the distribution or allocation of indirect costs, the evaluation of stocks and the choice of bases for the impairment of assets. Then, as well as now, there is no organization that officially represents the management accountants from France, in contrast to the well-organized institutions found in India, Australia, the United States or Great Britain.

The debates on accounting issues took place both within the engineering associations, as well as in the community of accountants. The engineers' associations were involved in the scientific evolution of management. Their reflections were mainly held under the auspices of CEGOS (General Commission of the Scientific Organization) organized by a federation of entrepreneurs (Lebas, 1994).

The concept of cost of the product became important especially during the economic crisis from 1929-1937 since new rules of trade appear: protectionism; prices established by the Government; exacerbated competition; the standardized method of calculation. At that moment, the dimension of managerial accounting was named by most of the engineers as performance accounting or productivity accounting, with the explicit purpose of: providing the rationale for creating the economic value of business; and to assist in finding ways to be economical and profitable. The big crisis from 1929 contributed to the rapid implementation of the systems of cost analysis, without rethinking the whole process of accounting. The French managerial accounting and the financial accounting were explicitly separated at the end of the 1930s. An economic event may be treated differently by each accounting system, but it remains the same event and the final result must be reconcilable.

The French accounting was regulated by the Interministerial Commission of Accounting Standardization, a semi-governmental organization created in 1945. The first official French plan/ chart of accounts was published in 1947 and was revised in 1957, 1982 and 1999.

Nowadays, the French companies are obliged to follow an accounting plan based closely on national rules. This plan requires the companies to use a detailed chart of accounts and prescribes calculation and evaluation rules specific to the various items in the financial statements. The presentation of the financial information in France is largely determined at all levels by the system of national accounts. Therefore, the investor's expectations and information needs are not a central point in the accounting normalization/standardization.

For the first time, a section of managerial accounting appeared in an official document in the 1982 revised edition of the accounting plan, but it remains optional. Although the original system of managerial accounting in France has remained almost unchanged since the publication in 1937 of the Method of homogeneous sections and distribution tables by CEGOS, the relationship between financial and managerial accounting has been modified through successive account plans and the needs of the economy.

Starting with the year 1945, the traditional French term for managerial accounting is operating analytical accounting.

For the first time, a section of the managerial accounting appeared in an official document in the revised edition from 1982 of the accounting plan, but it still remains optional. Although the original system of managerial accounting from France has remained almost unchanged since the publication in 1937 of the Method of homogeneous sections and distribution charts by CEGOS, the relationship between financial and managerial accounting has been modified through successive account plans and the needs of the economy.

After the Second World War, the emphasis in the managerial accounting fell on the determination of a full cost of the product on which the sale price negotiation should be based with the governmental authorities. This approach was logical until the mid-of the 1960s because, until then, the demand exceeded the supply and the production capacity was used to its full or maximum potential.

The full or complete costs were seriously tested at the end of the 1960's by the introduction of direct costs and variable costs. It was the beginning of an era in which the production capacity exceeded the demand, but the current management mentality was still strong in favor of the full costs. The cultural revolution represented by the simultaneous acceptance of both the full costs and the variable costs, depending upon the nature of the decisions to be taken, is still continuing today. In accordance to the General Accounting Plan (GAP), the cost represents the cumulative expenses allocated to a product or to a center of responsibility and can be calculated at any stage of the creation of the product.

The General Accounting Plan from 1982 prefers the full cost term of the oldest (and still used) return price, showing that markets are not the place where prices are set and that the cost of a product is not used first and foremost for establishing the price of sale. It is interesting to note that in France the cost of the regulated environment is so strong that the new terminology has not yet been adopted nor by practitioners or by academics.

The managerial accounting in Germany developed as a result of the efforts of the academic environment and less because of the involvement of the practitioners. The accounting profession from Germany is dominated by representatives: of authorized accountants and tax consultants, being deprived of a body of management accountants.

The development of managerial accounting in Germany can be structured in four stages (Nalcajima, Morimoto), as it follows:

- The first stage is confined to the calculation of the net profit, the treatment of the implicit interest rate, the depreciation that must be recognized to the entrepreneurial income;
- The second stage aims controlling the efficiency through the quantitative control entered by using flexible transfer prices;
- The third stage is characterized by the calculation of production prices. This calculation is based on the Regulation, the prices based on the cost price, introduced in 1938, through which the concept of full cost is promoted;
- In the fourth stage, the concept of relevant cost and the principles of cost allocation are promoted. The most important principle of cost allocation is that by which the cost is distributed to those elements for which a change in the unit of measure implies a change in the cost. It is about the causal principle, according to which only the proportional (variable) costs are applied to the products. By combining this principle with the standard cost method, on the background of applying Kliger's production theory, the premises of diversifying the analysis of the variation of the cost and the entered quantities are created.

Two major factors have affected the management accounting from Italy over the last few years: the evolution of quantifiable theory in Italy has played a crucial role in the development of managerial accounting. The existing traditions in the accounting theory, regarding both the financial reporting as well as the cost accounting, have maintained a high degree of skepticism in accepting the new accounting techniques. The low level of competition on the market until the end of the 1970s has, to some extent, distracted the attention of the companies from the results of cost efficiency, with an effect on the manner in which the managerial accounting has been used and described.

Currently, many of the novelties in the managerial accounting are derived from the American accounting techniques, but the specificity of the Italian accounting tradition and the economic situation have played an important role in shaping the managerial accounting at an academic level.

In Romania, the normalization of the management accounting at a national level is regulated or stipulated by OMF no. 1826/2003, in which there are approved some measures regarding the organization and management of management accounting by legal entities obliged by law, these being provided by the Ministry of Finance. The general provisions of this law offer the general framework for harmonizing the international standardization of some concepts with which the management accounting operates with the national normalization of the management accounting from Romania, leaving at the discretion of the accountant the manner to achieve it.

The advantages and disadvantages of normalizing management accounting in Romania	
The advantages	**The disadvantages**
- Stable support of international trade; - New opportunities for development; - Reducing the time interval necessary for conducting commercial, financial and other operations; - It stimulates competitiveness; - Easier access to capital markets; - Expanding the markets and / or creating markets; - The reduction of production costs; - Higher rate of profitability and productivity.	- Increasing the gaps between beneficiaries and non - beneficiaries; - Threatening the existence of the national state; - Emphasising the marginalization of some states and failure to respect the democratic spirit in the relationship between nations; - Affecting the cultures and traditions; - The developing countries with low labor productivity will suffer from the reduction of jobs; - Through multinational companies it is threatened the existence of the national markets; - The extension of activities generating pollution and high consumption of natural resources.

Normalization is the process by which the managerial accounting is placed on its normal track of fulfilling its objectives and functions, thus contributing to a better management of the resources, to practicing an efficient or performing management for long time intervals.

Addressing to the management in the planning, decision and control processes, the managerial accounting provides the necessary information for the short, medium and long term decisions regarding the establishment of the production and sales objectives, the strategy of achieving them, the allocation of the resources, thus allowing the measurement, monitoring and reporting the organization's performance.

Conclusions

Although progress has been made lately in terms of the proximity between the continental accounting system and the Anglo-Saxon accounting system, the interpretation of the faithful image remains the main obstacle in harmonizing the international accounting structures.

As a result of the documentation and the study made, it was found that the harmonization process between the two systems is increasing and also it is forecasted an upward tendency of the Anglo-Saxon accounting in Romania, in relation to the continental accounting.

The principle of prudence is of particular importance and it often leads to compromises in practice regarding the true image, the establishment of hidden reserves and limitations of the profit distribution.

At the same time, from the studies carried out, it resulted the fact that the need for managerial accounting and control derive from the company's strategy itself. Thus, it provides information to the management and it is used as a tool to ensure the achievement of the organization's objectives, by proposing five main directions of analysis, among which we can notice: what is the strategic objective of the company; what resources are needed and where they can be procured; if there is a monitoring and control system that could detect deviations and should propose corrections; how can the entity know if it has achieved its proposed objectives; how the managers' performance is evaluated and rewarded.

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