CONSIDERATIONS REGARDING THE COMPANY RESULTS RESULT OF ACCOUNTING, TAX RESULT AND RESULT SHARE

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Summary:

The objective of the annual financial reporting is to provide a true and fair view of the financial position, financial performance and other information on the work entities or groups of entities, according to the applicable accounting regulations.

Information on financial position are provided, first, balance, those on the outcome, through profit and loss and data on changes in equity are provided in the statement drawn up for this purpose.

Notes to the annual financial statements provides additional information aimed at facilitating the understanding of the information presented in the balance sheet and profit and loss.

The resulting concept of accounting is used more broadly, including both current year result and the outcome of previous years (repoted result).

Accounting result (gross result for the year or year result before tax) is calculated based on accrual accounting requirements, respecting the principle of independence that requires delimitation exercise while revenues and expenses.

The current result of the exercise can be influenced, on the one hand the accounting rules applied by the entity (accounting regulations on the annual individual and consolidated financial statements, approved by Ministry of Public Finance no. 1802/2014, as amended and supplemented and accounting regulations in accordance with International Financial Reporting standards applicable to companies whose securities are admitted to trading on a regulated market, approved by Ministry of public finance no. 1286 / 2012, as amended and supplemented) and, on the other hand, accounting policies that it applies to accounting regulations allow the choice of accounting treatments.

It therefore has the possibility (limited) to influence the size of the profit in the desired direction.

One of the components of equity presented separately in the financial statements is retained earnings.

Retained earnings are, by nature, the result of previous financial reporting, and result of operations regulated and can be represented by the profit or loss.

The notion of retained earnings is included in both the accounting regulations consistent with European directives and in accordance with the accounting regulations of International Financial Reporting Standards, with the same meaning.

Due to developments in the normalization process accounting and convergence between accounting regulations consistent with European directives and comply with International Financial Reporting Standards, and the complexity of the operations they perform entities, retained earnings has become a comprehensive, extremely important for users of financial information.

In some cases, an entity shall reflect income and expenses that are attributable to earlier periods is due to the detection of errors, either due to change in accounting policies.

Switching to the application of IFRS by certain entities had the effect of introducing the accounting regulations of explicit requirements concerning the presentation of detailed information on earnings.

Regarding fiscal result, it takes into account the taxable profits of the period and other taxable items from a tax perspective.

Tax result is determined according to Law no. 227/2015 regarding the Fiscal Code, as amended and supplemented.

Distributable result is not reflected in the financial statements, this information is available, as proposed in the note accompanying the annual financial statements.

The outcome may be materially different from distributable result sheet (current and deferred) presented in the financial statements.

A study conducted on a total of 10 listed companies revealed accounting policies impact on earnings, the current earnings and profits distributed to shareholders.

As a conclusion, we can say that the accounting policies adopted by the entity under the applicable regulatory framework can influence the size of the result (current and deferred).

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Accounting result is important information for users of information, but not in all cases, relevant and sufficient information to make decisions on investments in equity of an entity. The decision to invest should be made after considering all the information on the entity.

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Clasificarea JEL: Dimensions and Challenges of Financial Accounting and Auditing

1. The objective of general purpose financial reporting

The objective of the annual financial reporting is to provide a true and fair view of the financial position, financial performance and other information on the work entities or groups of entities, according to the applicable accounting regulations.

Information on financial position are provided, first, balance, those on the result of the income statement and information on changes in equity are provided in the statement drawn up for this purpose.

Notes to the annual financial statements provides additional information aimed at facilitating the understanding of the information presented in the balance sheet and profit and loss.

Accounting regulations compliant with european directives don't define explicitly the objective of general purpose financial statements, but these regulations refer to the true and fair requirement.

A description of the objective of general purpose financial reporting is included in the Conceptual Framework issued by the IASB in September 2010.

According this framework, the main objective of general purpose financial reporting is to provide financial information about the reporting entity that is useful to existing and potential investors, lenders and other creditors in the decisions they take regarding:

- buying, selling and holding equity instruments;
- granting and repayment of loans;
- assessment of the outlook for net cash inflows;
- evaluating the use by the Board and management has its resources;
- performance by management has responsibilities for resource protection and performance in compliance with laws, regulations and contractual provisions.

Other users of information in general purpose financial reports may be regulatory bodies and other members of the public, but the primary objective of such reporting does not target these groups.

According to point 17 of the Accounting regulations concerning annual financial statements and consolidated annual financial statements, approved by order of the Ministry of Public Finance no. 1802/2014, as amended and supplemented, the objective of the annual financial statements is to provide information about the financial position, financial performance and cash flows of an entity, a useful broad categories of users.

2. True image in general purpose financial reports

Faithful representation is a requirement for the information to be credible. The information must represent faithfully the transactions and accounting events.

Financial reporting is done by presenting both the nature and value elements, namely the effects of an event and faithful representation is a concept applicable to both.

According to IAS 1 "Presentation of Financial Statements" general purpose financial reporting must provide a true picture of a company's financial position at year end, providing useful information to a wide range of users.

True image is defined synthetic or analytical accounting rules but, basically, the meaning is the same.

The following represents the way in which is found the true image defined in the accounting rules:

According to the conceptual framework	IAS 1	Order no. 1802/2014
1. Faithful representation is one of the qualitative characteristics of financial information - accounting. The information is considered credible if present fairly transactions and events of the undertaking. 2. The reasoning accountant should always start from providing a true and fair view of the assets of an undertaking when presented financial information	1. A fair presentation of the financial position and cash flows requires the use of relevant,reliable,comparable and understandable. The presentation shall be so conducted as not to cause confusion and not misleading. 2. Fair presentation requires the faithful representation of effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Framework. 3. In almost all cases give a fair presentation by compliance with applicable IAS. A fair presentation requires: - selection and application of accounting policies so that financial reports comply with all requirements of each applicable International Accounting Standard; - disclosure and accounting policies is provided in a manner that provides reliable,relevant,comparable and understandable information; - to provide additional information when the requirements of the standards are insufficient to enable users to understand the impact trazacţiilor the financial position and financial results.	The annual accounts must give a true and fair view of the assets and liabilities, financial position and profit or loss of the company, as follows: - be provided mandatory format for the balance sheet and profit and loss; - have provided the minimum content of the notes to the accounts and the annual report.

Because of the importance, even the concept of fair picture appears in the Accounting Law no. 82/1991, with subsequent amendments and establishes that "the annual financial statements present fairly the financial position, financial performance and other information related to work".

3. Enterprise performance

In a broader sense, the performance of an entity can be measured by indicators of return on investment or earnings per share.

Underlying profit calculating these indicators is presented in the income statement.

Information about these financial statements are provided mainly for profit and loss, but some of the notes will complete information on the company's performance.

The elements directly related to financial performance evaluation through profit or loss are income and expenses.

Since profit is the result of revenue and expenses recognised in profit and loss, it is important to known by users of information on how you defined the concepts of income and expenditures, according to the applicable regulatory frameworks

In Romania operators aply either Accounting regulations on the annual individual and consolidated financial statements, approved by Ministry of Public Finance no. 1802/2014, as amended and supplemented, or Accounting regulations in accordance with International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a regulated market, approved by Ministry of Public Finance no. 1286 / 2012, as amended and supplemented (IFRS).

In order to ensure comparability of information contained in the annual financial statements prepared by entities, accounting regulations consistent with European directives have taken over most of the concepts and definitions within the general conceptual

Thus, this definition comparability revenues, expenses, gains and losses within conceptual framework and accounting regulations on the annual individual and consolidated financial statements, approved by Ministry of Public Finance no. 1802/2014, as amended and supplemented.

The conceptual framework	**Order no. 1802/2014**
1. **Revenues** represent increases in benefits economic during the accounting period under active form of inflows or enhancements of assets or decreases of liabilities that result in increases in capital own, other than those relating to contributions participants in equity. (Pt. 4.25)	1. **Revenue** is recorded increases in economic benefits during the accounting period in the form of inflows or increases in assets or debt relief, which is reflected in increases in equity other than those resulting from contributions by shareholders. (Pt. 19 alin. (2) lit. a)
2. **Expenses** are decreases in economic benefits during the accounting period as outflows or depletion of assets or assumption of debts, resulting in reductions in equity other than those relating to distribution to equity participants. (Pt. 4.25)	2. **Expenditure** is recorded decreases in economic benefits during the accounting period as outflows or decreases in the value of assets or increases in liabilities, which translates into reductions in equity other than those arising from their distribution to shareholders. (Pt. 19 alin. (2) lit. b)
3. **Gains** are other items that meet the definition of income and may or may not occur as a result of current activity of the entity. Gains represent increases in economic benefits from this point of view no different in nature from revenue. (Pt. 4.30)	3. **Gains** represent increases in economic benefits that may arise or result from current activity, but differ in nature from revenue from this activity. (Pt. 431 alin. 4)

4. **Losses** represent other items that meet the definition of expenses and may arise or as a result of current activity of the entity. Losses represent decreases in economic benefits from this point of view no different in nature from other expenses. (Pt. 4.34)	4. **Losses** represent reductions and economic benefits may result or not due to the current activities of the entity. They do not differ in nature from other expenses. (Pt. 449 alin. (2))

4. Profit and Loss Account for the financial year

Balance is considered the document that describes a company's financial position at a time, indicating the size of the result. It appears necessary but the presence of another accounting document presentation explaining the constitution of the outcome and allow some conclusions about the performance of the entity's operations. This document is the second component of the financial statements is "profit and loss" or "statement of profit or loss and other comprehensive income in the period," according to IAS 1.

Profit and loss account summarizes the economic flows or income and expenditure reporting period.

5. Result of current accounting

Accounting result (gross result for the year or year result before tax) will be calculated taking into account the requirements of accrual accounting, complying with the principle of independence of the exercise which involves the delineation of incomes and expenses.

In defining the outcome in terms of total revenue minus cost relationship overall, it starts from the fact that any activity is also resource intensive and producing results. In terms of resource consumption accounting is defined in the value plan structure, as the "product" is defined by the structure of earnings.

Both resource consumption and the result set table and causes changes in the structure of the entity's assets. Thus, total income designate property relationships in value terms on the finding, getting and achieving results in the production and sale of goods and services, investments and financial transactions of the company and other operations which are non-repeatability.

The total cost includes expenses related to hiring and consumption of resources in the activities of the entity.

Analyzing the sequence of operations determined by calculating accountant distinguish gross result, which represents the total amount of profit or loss recorded in accounting, net income before tax, and which is the sum of gross profit minus tax.

The accounting result can be perceived differently by users of financial statements, depending on their position.

Usually, investors and creditors perceive the result calculated as a difference between revenues and expenditures of which were excluded losing interest due status and become an impairment expenses (distribution) profit for lenders. From the point of view of production factors (owner, personnel, state, bankers, investors and creditors) calculated result is added value in principle, the difference between revenue and expenditure own intermediate consumption. Accordingly, other expenses, such as salaries and other personnel expenses, taxes, interest and depreciation, impairment or become profit distributions.

As mentioned, the result is the difference between income and expenses for a period. Although the criteria for recognition of revenue and expenditure under the accounting rules applicable to different categories of entities are similar, there are differences in accounting treatment for certain transactions economic and financial impact in the income statement.

Transition to International Financial Reporting Standards applying the accounting basis by certain entities revealed that the result of the exercise determined under IFRS is different from the result determined according to accounting regulations consistent with European directives.

6. Reported result

One of the components of equity presented separately in the financial statements is reported result.

Reported result is, by nature, the result of previous financial reporting and may be represented by the profit or loss.

The notion of reported result is found both in the accounting regulations consistent with European directives and in accordance with the accounting regulations of International Financial Reporting Standards, with the same meaning.

Due to developments in the normalization process accounting and convergence between accounting regulations in accordance with the Accounting Directives and in accordance with International Financial Reporting Standards, and the complexity of the operations they perform entities, reported result has become a comprehensive, extremely important for users of financial information.

In the process of analyzing the components of equity information users need not confine itself to finding a sum that reported result (profit or loss), but should analyze the composition of that amount through the nature of the operations that can be recorded to reported result.

For correct information to users of information in the income statement for the period stands only revenue and expenditure of the reporting period. In some cases, an entity shall reflect income and expenses that are attributable to prior periods, either because it found accounting errors, either due to change in accounting policies following the decision of the entity or due to legal requirements.

Practical experience has revealed that to change accounting rules were situations where the recognition criteria of assets were more restrictive than the existing one new regulation, which resulted derecognition of those assets. For these situations, the accounting regulations laid down, as a rule, highlighting the distinct operation on derecognition of assets reported result account separate from other operations of the entity.

By switching to the application of accounting regulations approved by Ministry of Public Finance no. 1802/2014, as amended and supplemented, it was done to unify the accounting treatment of the revaluation of tangible assets as provided by accounting regulations compliant with International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a regulated market , approved by Ministry of public finance no. 1,286 / 2012, as amended and supplemented. This treatment has the effect of transferring unit of the revaluation surplus realized in the reserve account to the account of retained earnings, analytically distinct.

For entities applying IFRS accounting regulations, earnings can be significantly affected by two types of operations, namely:

- reprocessing operations with the transition from accounting regulations consistent with European directives IFRS accounting regulations;
- operation of fair value in the case of entities adopting fair value as cost accounting policy for intangible assets.

Therefore, considering the multitude of operations, different in nature, which can be highlighted in the account of retained earnings presentation in the annual balance thereof, without detailing the notes component / structure satisfies only partially the need for information users.

To facilitate understanding the information presented, retained earnings includes the following components:

Accounting regulations in compliance with European Directives	IFRS accounting regulations
1171. Profit/loss carried forward (A / P) 1172. Reported result from first time adoption of IAS, less IAS 29 (A / P) 1173. Reported result from changes in accounting policies (A/P) 1174. Reported result resulting from correction of accounting errors (A / P) 1175. Reported result representing surplus from revaluation reserves (P) 1176. Reported result from the application of accounting regulations compliant with European directives (A / P)	1171. Profit/loss carried forward (A / P) 1172. Reported result from first time adoption of IAS, less IAS 29(A / P) 1173. Reported result from changes in accounting policies (A/P) 1174. Reported result resulting from correction of accounting errors (A / P) 1175. Reported result representing surplus from revaluation reserves (P) 1176. Reported result from the application of accounting regulations compliant with Directive IV of the European Economic Community (A / P) 1177. Reported result from the application of IFRS, less IAS 29 (A / P) 1178. Reported result derived from, the date of transition to IFRS application of fair value as deemed cost (A / P) 118. Reported result from first adoption of IAS 29 (A / P).

7. Tax rezult

The result of the fiscal entity considers taxable profits of the period, but other taxable items from a tax perspective.

Tax result is determined according to Law no. 227/2015 regarding the Fiscal Code, as amended and supplemented.

According to the new Fiscal Code, the taxable profit is calculated as the difference between revenues and expenses recorded in accordance with applicable accounting rules, net of non-taxable income and tax deductions and deductible expenses plus. The outcome of tax are taken into account, and related items of income and expenditure and tax losses that are recovered. The positive tax result taxable profit, and the result is negative fiscal tax loss.

8. Result share

Distributions of cash or other assets to the entity's shareholders or companies are regulated by Law no. 31/1990, republished, as amended and supplemented.

According to art. 67 of the Law, the share of profits that is associated dividend shall be paid.

Dividends are distributed to shareholders in proportion to its participation in share capital, unless the articles of association provide otherwise.

The law provides that they will not be able to distribute dividends than the profits determined according to the law.

The dividend is set by the Ordinary General Meeting of shareholders, which must meet at least once a year.

Share result is not reflected in the financial statements, this information is available, as proposed in the note accompanying the annual financial statements.

A study based on individual annual financial statements prepared as at 31 December 2014 and 31 December 2013 and published on its website, for a total of 10 companies listed on the Bucharest Stock Exchange (OMV Petrom, Transelectrica, Romgaz SA, Electromagnetic SA, Carbochim SA Nuclearelectrica SA, Romcarbon SA Buzau, Antibiotice

SA, Bermas SA, Rompetrol Well Services), highlighted the following issues relating to dividends distributed in 2014:

- Three companies (OMV Petrom SA, Transelectrica SA and Nuclearelectrica SA) presents the annual results reported significant value, and profit accounting;

- Romgaz SA presents the annual profits of significant value and reported result by a significant amount;

- Antibiotice SA, Bermas SA, Rompetrol Well Services presents net profit of the same amount as reported result.

As the reported result were found the following:

- For companies with majority state ownership were distributed for dividend payment 80% of profit (81.28% Transelectrica, Romgaz SA 99.51%, 80.53% Nuclearelectrica SA);

- If private companies were distributed amounts of profit for dividend payments, as follows: 36% OMV Petrom SA, 16.32% Electromagnetic SA, 49% Antibiotice SA, 30.24% and 92.95% Rompetrol Well Services Bermas SA.

The decision to distribute a dividend of the profit taken by majority state-owned companies is based on Government Ordinance no. 64/2001 regarding profit distribution to national societies, national companies and companies owned or majority state, and the RAs, as amended and supplemented.

Companies with private capital allocated to dividends only part of the profit for the year, the difference being left to local development company.

The decision on the amount of dividends that can be distributed should be based on an analysis of the sources of achieving profit, combined with cash flow and the strategy pursued by the shareholders, namely rapid gains (dividends) and business development (increase the value of an entity's assets).

Conclusion

As a conclusion, we can say that the accounting policies adopted by the entity under the applicable regulatory framework can influence the size of the result (current and reported).

Accounting result is important information for users of information, but not in all cases, relevant and sufficient information to make decisions on capital investment in an entity. The decision to invest should be made after considering all the information on the entity.

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4. IAS 1 "Presentation of Financial Statements", 2015 Edition
5. Company Law no. 31/1990, republished, as amended and supplemented.
6. Law no. 227/2015 regarding the Fiscal Code, as amended and supplemented.
7. Law no. 82/1991, with subsequent amendments
8. http://www.bvb.ro/