

INTERNATIONAL ACCOUNTING HARMONIZATION PROCESS INFLUENCES ON THE EVOLUTION OF ROMANIAN ACCOUNTING SYSTEM

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Abstract

The accounting literature demonstrates that the differences that exist in the sphere of financial reporting is a state of normality and is the result of a combination of specific factors. The existence of these differences in the regulation determines the continued development of a process able to decrease the weaknesses at a particular time, focused towards globalization of the capital markets, increased interest of the financial accounting information users, in achieving a high degree of comparability and quality of information provided through financial reports. In recent years there has been a collaboration between Romania and IFRS, which turns out to be a gradual one and that is developed in parallel with the adaptation of the acquis communautaire and the process of accounting harmonization of national regulations in relation to international reference has not ceased to exist from the first initiatives until now.

Keywords: *international accounting harmonization, accounting information, financial reporting, international accounting regulations*

JEL Classification: M40, M41, M48

1. Introduction

The scientific literature (Riah-Belkaoui, 2002; Elliott 2006) points out that the differences in terminology and the process of getting international accounting regulations in language countries represents a real problem, especially when we referring to the formal harmonization. Within their research, Nobes and Parker (2006) develops a detailed analysis of accounting terminology and concludes that the mere translation of words from one language to another may generate serious problems. On the other hand, the nations who speak and use only their own language are doomed to lose benefits, experience and reasons that characterize other nations (Elliott and Elliott, 2008).

Moreover, in one of the studies developed (Mustata, 2008) in terms of comparability of national accounting in relation to International Financial Reporting Standards (IAS / IFRS) demonstrates that there are some significant differences of the comparability degree if we take into account two distinct approaches, namely: taking international regulations and non literally literature. In this context, international accounting reality, on the one hand and literature are concerned with the existence and manifestation of a separate process, meant to bring national accounting systems to a common denominator (Mustata, 2008). From its inception, this debate has referred constantly to the international harmonization while more recently using the concepts of international convergence, adhesion, and the condorsement.

Harmonization involves a certain extent a reconciliation that leads us to believe that the first step in the process of accounting harmonization is a reconciliation of international accounting regulations by considering the various existing national accounting systems to global levels. In these circumstances, harmonized international accounting standards should be exempt from conflicts of reasoning and contribute alike, the comparability of accounting information. Surely this goal is not easily achieved. On the other hand, the process of harmonization is viewed from a simplistic perspective of international accounting, with the primary objective of financial reporting reducing disparities between different countries.

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International accounting harmonization must be viewed from two different perspectives when it comes to implementation. The first of these relates to accounting regulations, and the second, on the accounting practices, respectively, financial reporting practices.

2. General issues concerning international accounting harmonization process

With the internationalization of trade aspects, financial, social and other relations and with the intensification of globalization on the global and regional plan, prompt and quality information are increasingly required by a wide range of users, elaborate through a common code of communication, accessible to those interested, regardless of the economic or geographical area where they are situated. This interest imposed, increasingly, the usefulness of accounting information system, which thus became "the language of business communication" and a key pillar in social dialogue between actors of economic, financial and social fields.

The status that accounting has created in the social life fully justifies the efforts for an continuous improvement of the process of preparing and publishing information sheets. Are relevant, in this respect, the efforts of the international organizations, regional and national resort organizations, made to optimize the norms and rules of drafting and presenting the accounting information.

The need of adequate and competitive accounting information is influenced by the progressive globalization of financial markets. So, financial markets, in different parts of the world are becoming more integrated, so that the mechanism of determining the conditions under which the capital is invested and obtained tend to internationalize more quickly.

Competition and the growing level of market centers caused considerable progress in communications, technology, and, not least, the economy, interest for adequate financial and accounting information being increasingly higher.

Harmonization is the term enshrined in international accounting, to designate the act of reducing the differences between international accounting rules. It must be delimited by normalization, which assume a full uniformisation of rules.

International accounting harmonization can be defined as a political process aimed to reduce the differences between worldwide accounting practices and to ensure their compatibility and comparability.

The pressures for international accounting harmonization were generated by the national accountancy bodies, members of I.A.S.B., but also by the international capital market players and stock regulators, regrouped within the International Organization of Securities Commissions (I.O.S.C.O.). Beyond their national interests, regulators, institutional investors and large businesses, members of the international financial community have some common interests: greater efficiency of capital markets, a better worldwide allocation of resources and a reduction in transaction costs specific to the mobility of the capital.

Given the trends toward increasing globalization, companies prefer to use a uniform accounting system and aspire to an effective economical function. Where enterprises are obliged to prepare financial statements according to several accounting referential, certainly different, in order to inform investors on the various financial markets in which they operate or for other national purposes, this state is in their detriment, penalize them from a financial standpoint, managers having the feeling that they waste their resources. Evolving in a multinational framework, it appears an evident desire of the enterprises to increase their capital in several countries.

Capital markets competition influence the national supervisory authorities to make a change in the attitudes, favorable to appeal to international accounting rules.

Globally, the most powerful financial markets considers the use of international accounting standards as an embodiment of effective competition, knowing that the need for additional accounts preparation for entering into a foreign market constitutes a brake.

The internationalization has generated International Accounting, which has become nowadays by his international harmonization of rules and accounting practices concerns, seeking to define "boundaries" and his content based on international accounting normalization.

International accounting harmonization must be viewed from two different perspectives when it comes to implementation. The first of these relates to accounting regulations, and the second, to accounting practices, respectively, financial reporting practices. It is in fact a reference to what the literature calls the formal accounting harmonization and material accounting harmonization. (Mustata, 2008)

3. International accounting harmonization and the evolution of Romanian accounting system

The first year after the revolution was a benchmark point in winning, besides political, social and cultural freedom, also the economic freedom, these changes acutely imposing reform in the Romanian accounting system. The problems that were required at that time referred to the need for rapid implementation of a new accounting system and the option for an existing one.

An important step in defining the Romanian accounting system was the publication of Order no. 403/1999 for the approval of accounting regulations harmonized with the 4th European Economic Community (EEC) and the International Accounting Standards. The basis of this regulation have been linked to: uncertainties regarding international policy options of our country; experiencing a steady economic growth since 1995; the national companies desire to gain access to international markets; the need for investment in the national economy, etc.

We can observe that both the name and the content of those rules prove an uncertainty targeting option of romanian accounting system to one of two accounting referential. But the declared intention of Romania to become Eropean Union member state has removed that uncertainty. Even so, we can consider this period of the romanian accounting reform as one of uncertainty in accounting harmonization (Mustata, 2008), characterized by a high level of inconsistency in the implementation process of accounting harmonization.

The effects of the new regulations can be observed actually in the coming period, since 2000, when the Romanian accounting system is committed to achieve the major objective of harmonization of accounting regulations in relation to two distinct referential. This is demonstrated by the fact that the Romanian Government in the mentioned period decided to adopt IAS/IFRS, by financial reasons, while continuing targeting to achieve the desire to harmonize with European Union directives, due to the political objective assumed by the accession to the European Union (Ionaşcu et al., 2007). In other words, throughout this period, national accounting regulators attempted to harmonize the two referential accounting which seemed incompatible at the time, while the European Union only investigate the possibility of adopting IFRS for consolidated financial statements of companies listed on the European capital market (Ionaşcu et al., 2007).

The period 2003-2007 can be considered as one of harmonizing financial reporting system, significant influenced by the specific processes of European Union pre-accession period. In these years most of the negotiation chapters with the European Union were

closed, but still, when we refer to accounting regulations issued in 2005 and 2006 years, we can emphasize that they are characterized by a strong compliance with certain accounting referential.

In the next period, they were issued two other regulations for compliance with European Directives, ie Order no. 1752/2005 based on which all entities will apply compliant regulations with effect from 1 January 2006 and Order no. 1121/2006 according to which, starting on 1 January 2007, all listed companies that must present consolidated financial regulations must comply with IFRS. Other listed companies can apply, under this bill, IFRS optionally.

It becomes interesting to note how the desire of romanian regulatory in the accounting field to comply with IFRS it proves to be a gradual one and was developed in line with the *acquis communautaire*, both from the position of candidate and member state of the European Union This allows us to consider that the harmonization process of national accounting regulations in relation to the international referential not ceased to exist since the first initiatives in this regard until now, although the changes in regulatory accounting were the less numerous in the period to which we refer. The period that followed European Union accession is one which restores the orientation for Anglo-Saxon accounting system and everything that involves IFRS. When we refer to the national accounting regulations and their connection to European directives, we must not forget that the process of accession to IFRS at European Union level involves other significant amendments, according to the acceptance existing in the international referential.

4. Conclusions

International accounting harmonization is a result of the globalization of national economies, especially the financial markets. In this conditions, the development and use of harmonized accounting standards was more than a necessity. This has been reinforced by factors such as increased reliability of accounting data, insurance of better conditions for comparability of accounting statements of companies that search for public loans and to facilitate business access to financial markets.

The sphere of international accounting harmonization is an area where the diversity easily demonstrate their capabilities and the consequences that may cause. On the one hand, this situation is due to a significant variety of national accounting, which is based both on the distinctive individuality of each state, as well as on its economic development.

Achieving the international accounting harmonization can not be performed without difficulties. The obstacles are generated, on the one hand, by the fact that at international level still exist differences between the various accounting systems as a result of the manifestation of the factors that maintain them, on the other hand, the difficulties in implementing the International Financial Reporting Standards in countries with different accounting traditions (for example: the complexity of international standards, the difficulties of language, terminology, interpretation, etc.). Regardless of the factors that generate, the differences between accounting standards reduces the quality and relevance of accounting information. Measuring the differences remained between international accounting standards and national accounting standards allow assessing the level of progress made by the international accounting convergence process. Some of the obstacles to achieve international accounting harmonization are the complex nature of IFRSs, the dependence of national accounting systems of the fiscal policy, the disagreement with certain International Financial Reporting Standards, limited support provided by the IASB in applying for first time IFRS experience.

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