CRITICAL ANALYSIS OF CURRENT NATIONAL ACCOUNTING REGULATIONS - COMPLIANCE OR NON-COMPLIANCE WITH EUROPEAN DIRECTIVES

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Abstract:

In the past five years, the basic national accounting rules (in addition to accounting law) bear the title phrase “in accordance with European Directives”. In a careful analysis of both sets of regulations - National and European - may find that many concepts, definitions, structure, classification and details are entered in the national legislation of international regulations and not European ones. It is the international accounting rules, known by the acronym IAS/IFRS. In addition, in the meanwhile, the European Directives have been amended, but were not taken all the updates made in national regulations. In this study, we plan to analyze in a critical manner, the three sets of regulations - National, European and International - to highlight the compliance or non-compliance with EU rules and interpret option for the European version or internationally.

Key words: The National Accounting Rules, European Directives, IAS/IFRS, The Compliance or Non-Compliance.

JEL Classification: M40, M41, M48

INTRODUCTION

The accounting system of a country is influenced by economic, political, legal and cultural characterizes. Long time, the action of these factors resulted in the shaping of *accounting systems differ from country to country*. In our country, changing the political system led to *a reform of the accounting system*, meaning that the monist system was replaced with a two-tier system (double entry). We know that the accounting model that inspired us then was that of France, which in turn relying on the provisions of European Directives, in accounting. Later, with the globalization of economies and globalization of financial markets, there was *needed to harmonize accounting*.

The purpose and motivation of this paper aims to analyze the accounting rules currently existing international, European and national level, as trying to justify why we chose either nationally for the European version, either or both international version. The approach takes into account the critical analysis of the three sets of regulations for compliance or noncompliance highlight between them.

GENERAL CONSIDERATIONS ON CURRENT ACCOUNTING RULES IN ROMANIA

At European level, the main focus and has had regard to the harmonization of European accounting regulations with International Financial Reporting Standards (IFRS). In this context, the European Directives have been modified under the influence of harmonizing international accounting, IAS/IFRS is mandatory for listed companies (only for consolidated accounts) of the Member States since the 2005 financial year. European Union strategy to turn to international accounting standards has been determined, first, the obligation imposed on European companies listed on international capital markets to publish financial statements in accordance with the requirements of these markets, and secondly, IAS/IFRS and U.S. being recognized (as a result of collaboration IASB - IOSCO in improving IAS/IFRS), the European Union considered this move towards a solution.

However, some Europeans have been quite reserved in this regard, saying that international accounting rules are Anglo-Saxon origin and reflect a particular way of doing business. French professor of accounting, Jacques Richard believes that the adoption of IFRS in Europe could be *a European accounting fiasco*, Europe no longer than a product of Anglo-Saxon accounting [Istrate, 2004]. However, the steps on line assimilation of international accounting standards at European level have been for some time (knowing that in 2002 it was decided the mandatory application of International Financial Reporting Standards (IFRS) by their firms operating in European Union countries [Règlement (CE) n^{o}1606/2002]).

The objective of EU membership has led aspirant countries (including Romania) to adopt accounting rules that make possible to interpret relevant information on the companies by various users in Member States. At national level, as I mentioned before, immediately after 1990, the accounting system by which we were guided to a continental accounting system that the French considered it was one that *"provides the most useful features for a country like Romania with cultural traditions and their own political and economic modernization needs"*.[Roberts, 2002]. The strategic objective pursued by Romania, the reform of the accounting system - fully adopting the French model - aimed at creating a harmonized company law compatible with European Union Directives. This accounting system was, on the one hand, sustained while on the other hand, fought by different specialists. Whatever criticisms have been adopted accounting system, it still constituted an important step in the development of accounting, given that it has moved from a tier system to a two-tier system, as directed by various user accounts and, in addition to appeal to a large extent to the settlement of *the accounting system on a conceptual*. We can say that the legal basis of accounting throughout this period (1991-1999) was composed of European Directives, such as the source of the accounting sector in CEE and thus also in France (country from which I "borrowed" the accounting model).

Year 1999 was the year of change in accounting. Anticipating the EU will be changes in the sense that it "will be at the negotiating table with the Anglo-Saxons" and the future is the international accounting standards (IAS/IFRS), and Romania, aspiring to integration among the Member States shall international standards soon enough. Consequently, the Ministry of Finance issued an Order (403/1999) replaced in 2001 with another of the same name, namely: OMF no. 94/2001 on "accounting regulations harmonized with the Fourth EEC and the International Accounting Standards". Given the name of the low, it is clear that a compromise was made in connection with the legal basis of our accounting system. On the one hand, have adopted international accounting standards, and on the other hand, have been preserved and European Directives. Moving towards the Anglo-Saxon accounting after 1999 was due to the importance began to have foreign investments in Romania. Then, the force required to international accounting regulatory body (IASB) exceeded the European Union Directives. This new reform of the Romanian accounting system has been supported by advisers from the United Kingdom, that a team of specialists from the Institute of Chartered Accountants of Scotland (ICAS), funded by the Know How Fund. Accounting domain specialists say that "regulatory factor in our country ahead of EU measures on standards IAS/IFRS, because in Romania there was a process begun under the guidance and funding requirement for British and international bodies for the grant financing (IMF and WB) and the widespread adoption of international standards as a prerequisite for creating an environment conducive to foreign direct investment and privatization" [Ionaşcu, 2006].

Subsequently, the universal validity of the law (for both large enterprises and small and medium enterprises) was OMFP no. 1752 of 17/11/2005 *for approval of accounting regulations in accordance with EU Directives*. This was the basic regulation for all businesses. In other words, they created a mixture of accounting regulations (OMF no. OMF 94/2001 and 306/2002 - regulations applicable accounting by SMEs at the time), giving rise to the Order no. 1752/2005, with effect from January 1, 2006. In Official Gazette no. 1752/2005 to provide that legal persons at the balance sheet exceed two of three criteria (turnover - over 7.3 million, total assets - over 3.65 million euro, the average number of employees - over 50) preparers' financial statements consisting of: *balance sheet, income statement, statement of changes in equity, cash flow statement and notes*.

The same legislation stated that legal persons shall not exceed two of the criteria for simplified annual financial statements prepared, consisting of: *abbreviated balance sheet, income statement and notes*. In addition, they were included in the first category *and companies whose securities were admitted to trading on a regulated market*, whether or not the size criteria met.

Now, instead of the 1752 OMPF 11/17/2005 3055 OMPF is taken from 29.10.2009, with the same title that apply from 1 January 2010. The new low, although maintaining the format of annual financial statements of the old order, make a number of ***changes*** and ***additions***.

The main **changes** concern a new accounting regulatory: monthly assessment of monetary items in foreign currencies and assets and liabilities whose settlement is made according to the rate of one currency and keeping of the accounts of the exchange differences arising; correction, the result of annual earnings, but significant errors, related to previous years; accounting treatment of trade discounts given / received and the addition of new accounts for these operations; accounting for finance leases, under the law, only certain entities may capacity a lessor; principle over form and materiality principle can be applied to all categories of entities.

The main **additions** to the accounting rules: supplementing and amending the General Plan of Accounts; listing of general purpose financial statement users; list of qualitative characteristics of financial statements; accounting method change treatment indicating the difference between the accounting method change and change in accounting estimate; exchange of assets accounting; explicit indication of items to be included in the cost of acquisition; evaluation rules, the financial statement; elements and factors that indicate the existence of depreciation of fixed assets; for recognition as intangible exploration and evaluation expenditure of mining resources; accounting for property, plant and purchased inventories, but supplies are being; change of destination assets held, according to their possession; representing the accounting treatment of profit sharing bonuses, granted under the law; benefits, as the company's own shares or equity instruments; unit contribution pension schemes and voluntary health insurance premiums, the public goods nature of heritage, customer loyalty programs, the costs of development of installations for providing utilities, as well as the joint venture accounts, review the terms of the duration of the depreciation of tangible assets, the accounting treatment of land and buildings, according to construction or acquisition, the financial capital of the concept , in preparing financial aspects of the entity's internal control etc.

Therefore, the amendments introduced provisions aimed to transpose Directive 2009/49/CE of the European Parliament and the Council of 18 June 2009 amending Directives 78/660/EEC and 83/349/EEC relating to the requirement of medium-sized companies and the information required to prepare consolidated accounts in national legislation.

SHORT COMPARATIVE ANALYSIS OF REGULATORY NATIONAL, EUROPEAN AND INTERNATIONAL FINANCIAL REPORTING

In terms of form and content of financial statements, the problem is resolved in a manner somewhat different in the IAS/IFRS to the European Directives. If vision is the concept of international standards "deregulated financial statements", with a non-standard form, the European system is "the financial statements regulated" by European Directives, which propose schemes and standard models of financial statements. What is the option of Romania in this direction?

During all the 90 Romanian companies were reported to consist of accounting referential Accounting Law and Regulation on the implementation of its financial statements. International harmonization of accounting has led our country to take measures on normalization accounting.

Since 2000, the Romanian accounting system has followed a dual optical architecture and models on the financial statements, meaning that their preparation was based on different referential. As large firms (those meeting at least two of three criteria) pertained to international referential, imposed by national legislation, namely the Official Gazette no. 94/2001 on the harmonization of Romanian accounting regulations with the provisions of the Fourth Directive of the EEC and the International Accounting Standards, and small and medium firms were still as referential accounting Law no. 82/1991 and its implementing regulation.

In 2002 he was issued a new regulation to micro, small and medium, respectively Gazette No 306/2002 for the approval of accounting regulations harmonized with European Directives Implementing Regulations repeal the Law on Accounting and brought changes in the patterns and structure financial statements for companies mentioned.

The latest phase of Romanian accounting reform in 2005 involved the issue of Gazette No 1752 for approval of accounting regulations with European directives which carried a mixture of the above regulations. In 2009 (29/10/2009) was issued in Official Gazette No. 3055, with the same title as the 1752 Official Gazette, make rules repealed but which, in our view, is also a mixture of European and international regulations (despite the fact that the name includes the phrase: "... *in accordance with European directives*").

Among the components of financial statements, ***a balance sheet*** has significant importance, through *the financial position* which he plays. Balance sheet presentation options are diverse, so we still try to take a look at various stages of the normalization.

The international standardization body (IASB) wants to ensure comparability of financial statements, as it seeks to reduce the number of options under the same rules, but not the aim to develop specific models and standardized presentation. IAS 1 "*Presentation of Financial Statements*" is the international standard dealing with issues concerning *the form and content of financial statements*. Standard, as revised, prescribes the basis for presenting financial statements so that comparability can be ensured both in time and space. In other words, the standard provides *general considerations, recommendations and minimum requirements* for the content of financial statements, without imposing any binding model presentation. Characterized by flexibility, this rule leaves firms free to choose a specific model adapted their balance, but nevertheless provides a minimum list of items that are to be included in this part of the financial statements. In addition, the financial statements should present true and fair view the financial position, financial performance and cash flows of an entity requires fair presentation and *additional information* when a specific compliance requirements in IFRS is insufficient to enable users to understand the impact of certain transactions and events on the financial position and business performance [IFRS, 2009].

As mentioned above, a format for the balance sheet (statement of financial position) is not prescribed by IAS 1 and any order of the items, only a list of them, as having separate criteria: the nature and liquidity of assets, the function of assets within the entity, such as the nature, size and demarcation of the debt while.

At the European level is reference of the Accounting Directives EEC Member States on the financial statements, namely the Fourth Council Directive of July 1978 for individual accounts and the Seventh Directive of June 1983 in respect of consolidated accounts. They apply *only to companies*, while the IASB *Conceptual Framework* applies to all enterprises, including those belonging to public sector. It is noted that the Fourth Directive of the EEC in July 1978 operating with a smaller number of consolidated accounting documents, namely: *the balance sheet, income statement and notes*. Optionally, other components can be prepared the financial statements. We recall that the Fourth Directive of the EEC as *the annual accounts* for kept the records summary.

In preparing the balance sheet of the Fourth Directive provides for two different schemes, which may be retained by Member States, a form of *account (as bilateral balance sheet)* and the other as *a list*. These models are available for individual accounts. For consolidated accounts at European level, Directive VII prescribes possible models.

In our country, architecture, models and structure changes in the financial statements have experienced several stages since the early 90s. In the first stage, with the approval of the Accounting Law no. 82/1991, the model which was inspired by our legislators at the French, so it's no wonder that ***balance sheet*** scheme followed a *patrimonial vision*, specific countries in continental Europe, the prevailing ownership. The balance sheet itself out in the Implementing Regulations of the Accounting Law, approved by H.G. 704/1993 a structure very similar to the model presented in the form of account in accordance with the Fourth Directive; the assets were classified and structured as their destination and increasing liquidity, and liabilities, depending on the origin and increasing chargeability, verifiability balance sheet being ensured by the equality: active = passive (equity and debt).

After ten years, Romanian accounting enters a vast program of harmonization, scored from a legal perspective the Official Gazette no. 94/2001 on the harmonization of Romanian accounting regulations with the provisions of the Fourth Directive of the EEC and the International Accounting Standards. For the balance sheet, the legislation adopted vertical format (list), inspired more by the practice of Anglo-Saxon. This model is closer to the format recommended list of the Fourth Directive, pointing out the passage from the vision of a balance sheet asset to the economic vision. Companies that do not fall within the scope of the order that fell under other regulations, or in Official Gazette no. 306/2002 for approval of accounting regulations harmonized with European Directives and provided simplified balance sheet, all in list format.

Starting with 2006, is repealed two orders above mentioned, all enterprises having as referential Gazette No 1752/2005 for the approval of accounting regulations with European Directives [OMFP 1752, 2005]. At year-end 2009, new legislation makes his appearance, which repealed the latter which applies from 1 January 2010, Official Gazette No. 3055/2009 with the same title [OMFP 3055, 2009]. This last regulation (as previously) provides models for both individual accounts and consolidated accounts.

IAS 1 "*Presentation of Financial Statements*" requires that financial statements should be clearly separated from other information presented in the annual report, and each component within it will be clearly identified. In this context, with the balance sheet, ***income*** formation is of particular significance. **On the international stage normalization accounting** issues relating to the income statement are treated the same rule book, that IAS 1 "*Presentation of Financial Statements*". If the company's financial position is presented for balance sheet, aspects of *performance* are tracked through the income statement (IAS 1 "*Presentation of Financial Statements*", as amended, called the situation as a case of *comprehensive performance*). Revised International Standard prescribes the minimum list of items to be provided by this component of the financial statements. In addition, the rule states that for the fair presentation of financial performance, other elements may be added, as some can be aggregated. Factors that must be taken to the separate elements or income statement relates to *materiality* and *the nature and function* of various components of income and expenditure.

In the classification of expenditure and revenue presented in the income statement activities, there are only costs and revenues of operating and financial activities, any item as extraordinary income or expense will be presented either in the income statement or in notes to financial statements [IAS 1, 2009]. The resulting models account recommended by IAS 1 provides the classification of expenditure or by type or by their function or purpose.

At European level, referential underlying financial disclosures in the income statement includes the European Directives on accounting. For *the income statement*, the Fourth Directive of the EEC has provided four schemes that may be retained by Member States, namely as *a list or account*, with expenditure grouped by their *nature, origin or destination or their function* as. The flexibility that gives direct Fourth Directive is determined by cultural differences of the Member States and entities of different objectives. Thus, Anglo-Saxon culture in the book would like to present a income statement with their classification of expenses by function, as it would be preferred by investors. Instead, states "continental" rather opt for an income statement classification of expenditure by type of ground that could lead to some indicators of financial easier.

The Romanian who inspired normalizers 90 and immediately after that is maintained as a list, the classification of expenses by nature. In the first stage of the Romanian accounting reform, the income model was presented in the Implementing Regulations of the Accounting Law, being a single model for all firms, and later, to be separate accounting rules on business categories - large, small and medium and micro enterprises - the income statement formats, somewhat different.

At present, the mixture created as a result of issuing OMPF 1752/2005 and recently, the OMPF 3055/2009, the income model is presented in these regulations (Official Gazette 1752 / 2005

- Repealed) in two variants: a model simplified for individual businesses and a more detailed model for groups of companies.

Of course it would be useful in the comparison and other components of financial statements, namely: the state of equity, cash flow statement and statement of explanatory notes, but given the size of the present study, we confine ourselves to the most important components of reports financial: balance sheet and income statement.

COMPLIANCE OF INTERPRETATIONS AT THE THREE SETS OF RULES

The comparative analysis between the international accounting rules, national, European and realize, of course, that national accounting regulations issued bearing the title phrase "in accordance with European Directives" have taken a series of concepts, principles and models of both standards International Financial Reporting and the accounting conceptual framework that precedes. Still trying to present a summary of the issues taken up in national accounting of international accounting standards, European Directives and changes in accounting that have been taken at national level.

Among *the issues taken from IAS/IFRS* and are not included in the EU Directives, we find: name of financial statements (in the direction still appears as the annual accounts); qualitative characteristics of accounting information; listing information disclosed by users of financial statements; definitions Structured financial statements: assets, liabilities, equity, revenues and expenses; the recognition and measurement issues taken stock of IAS 2 "Inventories"; issues on exchange of assets, review the term of depreciation of fixed assets, change their destination taken from IAS 16 "Plant and propriety" and IFRS 5 "Assets Held for Sale and Discontinued Operations"; extended over form principle in all categories of entities, factors that indicate the existence of impairment of fixed assets taken from IAS 36 "Impairment of Assets"; applying the financial concept capital, in preparing financial models and details of cash flow statements and statement of equity etc.

Then, there *are changes in the European Directives* have not been taken into national accounting rules, as: size thresholds for total assets (EUR 4.4 million) and the amount of turnover (EUR 8.8 million) to determine which companies are exempt from certain disclosure obligations (amendment introduced by Directive 2006/46/EC); confirmation detailing the issues of collective responsibility of directors, increasing the transparency of related party transactions and off-balance sheet transactions and improve information on applied corporate governance practices in companies; 24 September 2004, the Commission adopted a Communication entitled “Preventing and combating financial fraud and illegal practices of companies”, announcing the Commission's initiatives on the Company's internal control and accountability of members of the ADMINISTRATIVE (amendment introduced by Directive 2006/46/EC); companies whose securities are admitted to trading on a regulated market shall include information disclosed in a statement on corporate governance with reference to corporate governance code by which the company or corporate governance code which the company may decide it voluntarily apply etc.

After this presentation, the question we seek the answer is: *Why accounting rules adopted at national level (corresponding to entities other than those applying IAS / IFRS) represents a mixture of European Directives and IAS / IFRS, although the title refers only to European Directives*? The answer can be given accurately, given the “quality” of issuers (legislators) in our country during the current. However, we believe that some changes were not taken from European Directives, as members of the Directive itself leaves some provisions, and takeovers of IAS/IFRS accounting regulations applicable to covered entities not subject to binding their anticipated probably applicable IFRS SME. It remains to be seen what will be their adoption situation in Romania, since July 2009 has issued International Financial Reporting Standard for Small and Medium Enterprises (SMEs IFRS).

CONCLUSIONS

In conclusion, the Romanian accounting reform followed a route that went through the European Directives, by assimilating French accounting model, and later to guide the directions to Anglo-Saxon model in accounting. Currently we are dealing with a combination of accounting rules and their compatibility or not remains an issue that we face continue. Compatibility and comparability of national referential international one for our country, as is, for all developing countries, is nevertheless a guarantee of economic and financial integration in the world, so that efforts are not neglected. We should mention that too frequent changes certainly affect the stability of the rules and accounting practices, which will take effect on accounting objectives· Devising a national accounting system should take into account geography of international accounting and private interests of various countries, a process complex politico-strategic. The solution might result in finding a balance between the components of the report: national - European - International. Welcome here is a great teacher advocacy [Ristea, 2000] for consistency: "*No accounting system is very good and all are infinitely variable. Those who have courage, humor and energy to take, to build and operate an accounting system, have only one chance: «**to choose it and not allow it to change too often**». Also, the system chosen should be neither too flexible nor too stiff, and the respite between the two extremes should be encouraged in decision-making professional reasoning in detail the accounting treatment of economic transactions and events*". In summary, transformations and changes in the Romanian accounting followed (and still is) a route that was aimed, firstly, the harmonization with the EU accounting directives and International Accounting Standards (previously) and, subsequently, compliance with European directives (present) and International Financial Reporting Standards (future) [Săcărin, 2006].

It appears, therefore, that the goal of normalization and harmonization of accounting in a market economy is the organization of the market operation rules of accounting information in such a way that will lead to *optimizing financial communication*. In fact, *accounting has become normalized* as a practical necessity for a certain stage of economic and social development, aiming to coordinate work on the basis of uniform accounting and to achieve a compromise between producers and recipients of financial statements. To some extent, it provides social validation of accounting information, also contributed to the recognition of accounting as *a means of communication*.

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