

EVOLUTION OF NORMALIZATION AND HARMONIZATION OF ACCOUNTING IN ROMANIA

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Abstract. *Accounting has always gone through modernization and modelling operations, both on a microeconomic and on a macroeconomic level. In Romania, the evolution of accounting has been under the sign of the harmonization with the European legislation (European Directives) and international accounting normalization (IAS, IFRS). The changes in the accounting system have been extremely dynamic and profound, having a certain impact on the other inventory management disciplines. The main aim of this research is to present the evolution in time of the Romanian accounting system, the adaptation of the Romanian accounting to the changes and challenges occurred on an international level.*

Keywords: normalization, harmonization, accounting system, reform

1. Introduction

The normalization and harmonization of accounting have appeared, on a certain level of the socioeconomic development, as a practical necessity, aiming – among others – to coordinate, based on unitary norms, the accounting works and to realize a compromise between the providers and the beneficiaries of annual accounts. The harmonization of accounting with the international standards, and with the European directives has had a major influence on the development of the accounting system of our country, and, beginning with 1 January 2006, in Romania all the entities developing economic activities had to apply the accounting regulations agreeing with the European directives as a result of the adhesion of Romania to the concern of European countries beginning with 1 January 2007. The process calls for political, economic and social measures meant to highlight the capacity of the present business environment and the own integration capacity. The accounting reform is fully under way, in order to realize the convergence with the European Directives and the International Financial Reporting Standards. The process of globalization of the national economies has

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determined the use of a universal language for all the users of accounting information, and even for the financial analysis in order to assure the qualitative characteristics of these pieces of information. The enterprise has to have the capacity to adapt to the demands of the economic environment and to improve its economic-financial performances [Bran(Stan), N.C. Margarit (Stănescu), S.G., Dragulescu, R., 2011, p.257]. The need to introduce common norms and rules regarding the recording, the accounting statements, the appreciation of performances, the evaluation of opportunities constitutes the premise of the implementation of the normalization-harmonization-convergence process. The accounting reform in Romania began with the appearance of the Law of Accounting no. 82/1991 aiming to improve the Romanian accounting system based on principles and rules foreseen by the European Directives, so that the financial situations drafted by the entities should correspond to the demands of very large categories of users [1].

2. The concept of normalization and harmonization of accounting

Normalization in accounting supposes the application of the accounting norms in order to correctly solve the problems related to the production and use of accounting information. [7] Normalization in accounting has the object and goal of applying “identical accounting norms in the same geopolitical area and pursues the creation of uniform accounting practices” [8]. The final product of the normalization process are the accounting norms, which have an important role in the identification of the patrimonial situation of the enterprise, and of the financial results and performances [12] Normalization has the great advantage of allowing comparisons in time and space. The fact that the accounting statements elaborated by the companies are realized according to the same norms permits, in certain conditions, to compare their financial situation and performances [4].

The effect of normalization in accounting and its product are [12]:

- defining concepts, principles and accounting norms that are identical for all users;
- their use in the practical activity assures the comparison in time and space, but also the qualitative features of the accounting information.

The harmonization of accounting has various definitions in the literature. Paul Holt and Cherly Hein define harmonization as a process reducing the differences in accounting up to the limit of standardization [10]. The term “harmonization” is only the specialized word used in international accounting to define “the reduction of the financial reporting differences between countries” [14].

The harmonization of the accounting-related rules on the international level is accompanied by indisputable economic arguments [9]:

- it permits the companies drafting and presenting their financial situations according to the IASC demands to be marketed on any financial market;
- it provides a large array of users from different countries with credible and comparable information on the financial position and the performances of a company;
- it facilitates the obtaining of a comprehensive, realistic and relevant vision on the activity of the company;
- it constitutes a source of improvement for the analysis of a company's activity. The new forms and sources of communication, the information processing methods and techniques make it easier for the analysts to make an in-depth analysis of the way the company as a whole is operating.

Harmonization can be distinguished from normalization, since normalization is considered to have as an object the application of identical norms and is meant for the uniformization of the accounting practices within a geopolitical area. In exchange, harmonization authorizes a variety of accounting practices and establishes equivalences between them, so that one can appreciate that harmonization constitutes an attenuated form of normalization and a first stage of it [5]. The goal of the normalization process consists in the creation of an accounting framework allowing the state authorities to obtain homogenous information related to the activity of the enterprises, information related to previous or future accounting operations necessary for all the users of accounting information and for an efficient management of the financial resources.

The most important organism aiming to realize this process is the International Accounting Standards Board (IASB). IASB is considered the promoter of the accounting harmonization process [1]. Harmonization is a necessary process determined by: the globalization and regionalization phenomenon, which influenced the international character of the accounting norms, the extension of the EU boundaries, a fact that accentuated the capital circulation on the international level, the multiplication of the competing methods worldwide, the realization of an accounting system permitting an efficient management of the company's activity and the convergence of the internal system with the external system.

3. The objectives of normalization and harmonization of accounting

The objectives of normalization and harmonization of accounting are determined by the economic, social and geopolitical conditions present on the national, regional and global level. The main objectives in view consist in the regulation of the following aspects: creation of a unitary terminology in the domain of accounting; elaboration of the accounting principles; definition of the content of the information present in financial statements; realization of schemes and models

of presentation for financial statements; elaboration of the accounts plan and of the monograph of the main economic-financial operations.

C. Perochon affirms that “the object of normalization in accounting can be highlighted by the financial statements or the accounting plan” [11]. The process of normalization via *financial statements* concerns: the makeup of the financial statements; the elements presented in financial statements, the recognition and evaluation of the elements of the financial statements; the content of the elements in financial statements; regulations; standards; procedures of drafting and presenting financial statements. This type of normalization is specific of the Anglo-Saxon countries. The process of normalization relying on the *general accounting plan* is specific of the countries of continental Europe and comprises: annual financial statements, general accounts plan, and validation and control of the economic-financial operations, the way of organizing the accounting documents.

In Romania, the apparatus of normalization of accounting includes: The Law of Accounting; Methodological norms and accounting measures having the status of regulations; Methodological mentions having the status of professional guides; General framework for drafting and presenting financial statements, elaborated by IASB and taken over by the national accounting normalization institution; International Accounting Standards elaborated by IASB; General accounts plan; Law of financial audit. The implementation of the International Accounting Standards in the national accounting system was realized through assimilation, as well, and the Romanian normalizes have created, for the non-regulated aspects, complementary rules and norms. The assimilation of the international accounting norms has been realized mainly through the following normative acts: OMFP no. 94/2001, OMFP no. 306/2002, OMFP no. 1752/2005 and OMFP no. 3055/2009.

4. Evolution of the accounting harmonization and normalization in Romania

In the context of a centralized, planned economy, accounting had a monolithic global structure, facilitating the centralization of the data and their control by external organisms. Since by the company secret, it was forbidden to spread information, commercial partners did not have access to synthesis documents, which led to a lack of public accounting information. Giving up on this system, an accounting dualism has been adopted. Thus, the continental information determined the normalization of financial accounting, while managerial accounting remained non-normalized. Anyway, normalization of accounting, though realized by the state, allowed the passage from bureaucracy to flexibility.

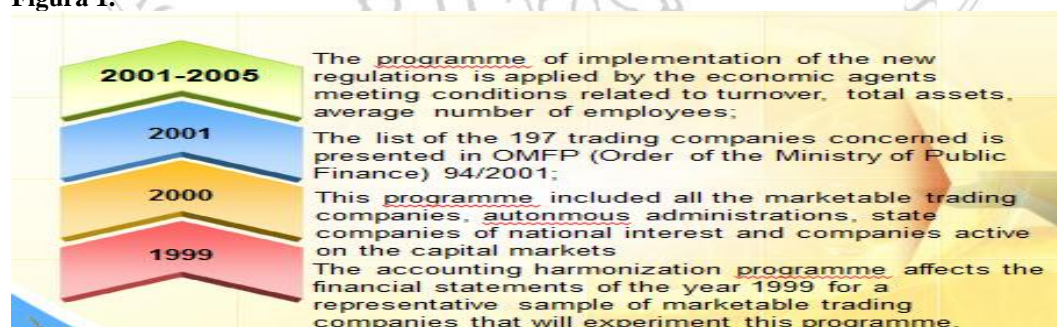
Accounting differences, on an international level, but also on a national level, are determined by a series of factors. One of them is the mondialization of the

economic growth, determined by the appearance of multinational companies that have generated the need for international accounting, meant to eliminate national boundaries and to permit a common language. Another factor is the enlargement of the EU. The integration of a country in the EU supposes, among others, also the integration of the national accounting in the international accounting. An important factor in the evolution of accounting was also the privatization of the formerly state-run companies, with the transfer of their property to the private sector. As one can note, this situation corresponds very well to the Romanian reality. Yet, the events occur non-synchronously, the measures taken do not necessarily have to be the same and the accounting regulations adopted may differ from one state to the next. The social impact is different depending on the results awaited and on the customs of the respective country, namely: while in the Roman Law countries the accounting legislation is very detailed (due to the existence of codes, norms of application etc.), the Anglo-Saxon countries rely on regulations contenting themselves with stating minimal principles, whose practical application is left in the hands of the professional practitioners.

The process of normalization of accounting in Romania is of public nature because the accounting norms are the result of the involvement of the state organisms, the role of the Consultative Accounting College being secondary, maybe even “decorative” [3]. The Directorate for Accounting Regulations (Direcția de Reglementare Contabilă) from the Ministry of Public Finance is the only organism of accounting normalization in Romania. The process of normalization is necessary for every country with a developed economy, since it offers the possibility of obtaining data that is homogenous as content to all the companies [6].

The accounting harmonization programme in Romania has gone through the following stages:

Figura 1.

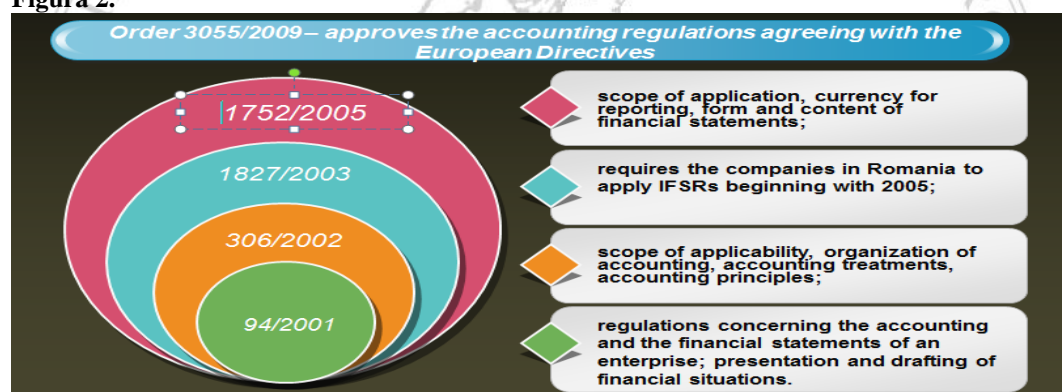


Source: own processing of legislative information

The process of harmonization of the Romanian accounting with the demands of the 4th Directive of EEC and the International Accounting Standards represents

one of the toughest challenges for the Romanian business environment. Thus, in order to meet the process of international accounting convergence, the Romanian normalizers have decided to annul, modify, emit in time various norms, laws, orders (see Figure 2), imposing on the trading companies the application, beginning with 1 January 2010, of accounting regulations in agreement with the 4th Directive of the European Economic Community ruled by the Order of the Ministry of Finance (OMF) 3055/2009 [Published in the Official Journal (MO) no. 766 / 10 November 2009]. Since 2010, all the companies having a turnover of more than 7.3 million euros, a volume of their assets of more than 3.5 million euros and more than 50 employees are obliged to apply IFRS. For the organizations in Romania, the passage to the international reporting standards has constituted even from the beginning, on the concrete level, a true challenge. All the entities obliged to apply or that have opted for the application of IFRS need to assure the continuity of application of these standards.

Figura 2.



Source: own processing of legislative information

Conclusions

The research we have undertaken allows us to state that due to the changes occurred internationally, the Romanian accounting could not have remained unchanged. These changes have constituted real challenges and topics of dispute for the professionals in this domain: practitioners or theorists. The Romanian accounting system has permanently tried to get aligned with the normalization, harmonization and convergence processes, both through the actions undertaken by the national normalization organisms for accounting and by means of those monitoring the capital market, independently from the actions taken by the organisms representing the accounting profession. Now at the stage of application of IAS/IFRS, the Romanian accounting system has gone from accounting regulations harmonized with the 4th Directive of EEC and with IAS, on the one

hand, and simplified accounting regulations, harmonized with the European directives, on the other hand, to accounting regulations in agreement with the 4th and 7th Directive of the European Economic Community. Thus, all the trading companies have to take into account, in their accounting, the following regulations: the Law of Accounting, and the accounting regulations agreeing with the 4th and 7th directive of the European Economic Communities.

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