THE REFORM OF ROMANIAN ACCOUNTING – A PRESENT REALITY

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Abstract

When we speak about reform in accounting we aim at presenting an evolution of this process, which means a beginning date, objectives to be fulfilled and an ending date. The Romanian accounting system is seen in this paper work with its objectives established after 1989. After twenty years, the accounting system is still looking for a system which cannot raise debates regarding the credibility of its products, the financial statements. The evolution of the Romanian accounting regulation has been full of injuries since the beginning to present. The advisers used in the process were very different from time to time. Each of them left a strong mark on the accounting norms and regulations. We try to present this evolution and to comment this process. Some personal ideas regarding the future evolution of accounting reform in Romania taking into consideration the most important events in Europe and worldwide will be taken into account.

And because the accounting reform is still in progress we cannot say that we have an ending date for this process.

Keywords: reform, evolution, accounting system, harmonization, convergence, IFRS

1 INTRODUCTION

With the direct support of the normalizing authority called the Ministry of Finance and Economy the accounting system from Romania passed through more stages that I would call “evolutional stages”, which left their mark over the structure of the actual Romanian accountancy.

The period 1990 – 1993 was without important changes in the accounting field, event that in 1991 the Accounting law was published. The law was a very simple one and its publication didn’t affect the life of the Romanian companies. In 1993, a government decision pointed out that the Romanian companies must function knowing and applying the mentioned law starting with the beginning of 1994.

2 BODY OF THE PAPER

The first stage of reform is represented by the period 1994 – 1999, when the influence of French rules and commercial usages were evident. An accounting system with strong origin in the continental system was the option for that time. When we try to point out the reasons analyzed for that decision is difficult. Before 1994 the Ministry of Finance had worked with French advisers and obviously the evolution of accounting system was towards French accounting system. A French professor, J. Richard wrote: the entire accounting legislation made after 1991 is based on French accounting with all its objectives relating to macroeconomic and fiscal matters. The general accounting plan established for the Romanian accounting system was in fact an mirror image of the general accounting plan from France. Even the formats of the financial statement (balance sheet, profit and loss account) were much closer to the French ones.

One of the important people who made his contribution to the Romanian reform was in that time Mr. Gilbert Gelard (he represents his country to IASB now). Speaking about this development of the Romanian accounting Mr. Alan Roberts said: three factors were important for choosing the French accounting system to reform the Romanian accounting system:

- A tendency and a Strategic interest of the Romanian authorities;
- Those specialists whose contributions seemed to have a major role in this development;
- There were solid elements regarding the economic situation which imposed at that time that choice.

The choice for that time was considered the best choice for the Romanian economic and accounting regulations. We must point out that in all matters the Ministry of Finance was the prime violonist! The accounting profession was in the beginning stage of his development (the Body of Expert and Licensed Accountants of Romania) and maybe this was the reason why the accounting profession „missted this process”.

The second stage, the period 2000-2005, must be analyzed starting with the events of the years 1998-2000. The evolution of the Romanian accounting system could not be out of some evolutions on European level. However it is remarkable the fact that the Romanian accounting system has been improved after the years 1990 starting with the influences that constrained it and has not created the concrete and incentive conditions necessary to the development of some regulations of national accountancy where academics and practitioners in the field of accountancy could bring their contribution.

At European level the report of the European Commission from October 1998, indicates: “The delays in modernizing the rules of the European Union in order to be in accordance with the best accepted international practice create a handicap for the persons involved in the process of regulation and supervising for the maintenance of stability in the financial system.”

In the same period it was mentioned: “The Commission will take into consideration if certain options within the accounting instructions are no longer necessary or no longer in accordance with the necessities in this field. Moreover, the commission will reanalyze whether the quoted societies will be asked to prepare the financial situations in accordance with a conceptual accountancy frame more harmonized, such as the one of IASC.”

In this period of disquietude, harmony, disagreements, agreements, the Romanian normalizing institution, advised by the accountancy representatives from Scotland (ICAS – Institute of Chartered Accountants in Scotland) thought opportune to reconsider in the main, its point of view and to release new accountancy regulations. The release OMFP (release of Ministry of Finance) 403/1999 surprised the Romanian accountancy background. These regulations were very daring and among other things they anticipated the appearance of the international accounting rules and of the national accounting rules in third volume. So, for the first time the notion of national accounting rules is made clear. Unfortunately, these regulations had a very short life, being revoked in 2001 by release of Ministry of Finance no. 94.

“Beginning with the year 2000, in the Romanian accounting system, an infusion of Anglo-Saxon concepts and practices took place, fact that must be analyzed and clarified...The thing that is certain are the fact that we are inscribed on an evolitional line that has to deal with the following century accountancy”. This very optimistic and suggestive appreciation that we had in the year 2000 is mainly proved by the evolution of the Romanian accounting during the period 2000 – 2005. The elaboration of the regulations from 2001 and 2002 brought with them the obvious necessity for the preparatory elements of financial information to get ready continuously in order to face the new aims resulted from the reforms of the accounting system. The listed companies were obliged to conform to Ministry of Finance release no. 94/2001 (“Accounting rules harmonized with the fourth European Directive and International Accounting Standards”) which had the conceptual framework elaborated by IASC inside. Also, for the period 2000 – 2005, three criteria were also used for defining some other companies which were supposed to use this rules. For the remaining companies another release was issued, meaning release no. 306/2002 of the Ministry of Finance (“Accounting simplified regulations, harmonized with European Directives”).

We aim at observing that it was very important at that time to declare that our accounting regulations are according to European Directives (Romania became member of European Union starting with 2007).

Regarding the “national accounting rules” this is just history! We never had international accounting rules and national accounting rules like the Ministry of Finance wanted to do in 1999. But we must point out that the two releases from 2001 and 2002 created the premises for such an orientation. In the period 2000 – 2005 the accounting profession started an important process that
was supposed to create the premises for understanding the international standards and to be able to use the financial reporting standards in preparation of financial statements of the enterprises. Many courses take place and every member of accounting profession and more made a lot of efforts to improve their knowledge in this field.

The accounting rules published in 2001 and 2002 brought the “wind of change” because of the many elements related to recognition of assets and liabilities, evaluation of assets, alternative evaluation method, accounting policies, balance sheet format (without possibility of choice of a format), accounting principles. We have not given up the general accounts plan. This plan was and it still is compulsory for all the Romanian entities. As I wrote, the conceptual framework made by IASC was fully introduced in release Order no. 94/2001. All the premises for adopting IFRS/IAS were there.

Stage 2006 – until present, represents a period full of worries for the normalization of Romanian accounting. The regulations issued by the Ministry of Finance and Economies, respectively the Order 1752/2005 (“Accounting regulations in accordance with European Accounting Directives”) have unbalance a large part of the accounting profession, and why not the University staff. The efforts achieved regarding the understanding and assimilation IAS/IFRS were, for the members of accounting professions, uncommonly huge, with significant costs. The university environment and the Body of Expert and Licensed Accountants of Romania have represented an engine of promotion and assimilation IAS/IFRS both among the students and the accounting profession. The publication of Order 1752/2005 discouraged those who put their soul into promoting the international accounting standards at a national level. A regulation through which it is not recognized, not easily, the enthusiasm started in the new reform stage of the Romanian accounting system. Those accounting rules apply for a large number of Romanian entities and do not make the difference between listed companies or unlisted companies, small and medium size companies or large companies. Each company can also publish financial statements prepared using International Financial Reporting Standards for its own interest. So, after two accounting regulations, after just five years, the normalizing body (the Ministry of Finance) came in front of the accounting profession and other interested parties with a new release. The conformity with European Accounting Directive is declarative because in fact a lot of definitions, recognition criteria, evaluation methods are those from International Financial Reporting Standards. The financial statements have a compulsory format for all companies and the same format for a small or large company.

In 2006 new regulations concerning the application of IFRS by listed groups were adopted in Romania (order no. 1121/2006 for the application of the IFRS), enacting Regulation no. 1606/2002 of the European Parliament and of the Council. According to these regulations, starting with the financial year 2007, listed groups will mandatory apply IFRS in their consolidated financial statements only, while the European Directives Conformity Regulations remain valid for all reporting to governmental institutions? So, recently (by the 30th August 2008), Romanian listed groups had published their financial statements according to the IFRSs. It remains to analyze the impact of IFRS on the informational value of these financial statements and on the quality of the information offered to the stakeholders.

Starting with the year 2006, the Romanian regulator chose to enforce the IFRSs for the consolidated statements of the banking institutions (order no. 907/2005). In the future we expect that the Romanian regulator will enlarge the field of IFRSs application, by including others entities of public interest.

CONCLUSION

The European and international context after 2006 and the last events induce us to give some appreciations of the accounting evolution in Romania and the future reform of accounting system in Romania:

- We believe that the idea of a set of financial reporting standards for small and medium sized entities has not been skipped to the Romanian accounting normalization entity. Or this makes us to consider, for the next future, the need for drawing up some new regulations which will make the difference between entities, related to some size criteria. IASB considers that it is inappropriate for them to impose what companies should or should not be able to use the IFRS for SMEs. So the national body must decide whether they can find inspiration in the IFRSs for SMEs standard;
- Including into the field of using the IFRSs of a larger number of entities;
- Transferring the powers of “full and omnipotent” normalization entity, the Ministry of Finance, to an independent body. Maybe I am too optimistic, but this optimism is also based on the fact that Ministry of Finance shall give up to its prerogatives in the field of accounting regulations on the pressures to be made by some bodies outside the country limit borders;

- The idea of drawing up some national accounting norms, as much as tempting it may be it really seems to be out of perspective. Drawing up some national accounting norms is not impossible to achieve, but the costs of such a process would be huge, and the effects, in the present conditions, would not be so profitable;

- Even if it wishes or not, the European Union has to recognize the achieved efforts on the line of convergence in the accounting field, process guided by the two accounting bodies IASB and FASB. The European entities are also beneficiaries of this process’s results. Starting from the IASB achievements it is possible that once the IFRSs are elaborated for the small and medium sized entities to find within EU a great recognition. For the EU, these IFRS could be compulsory for several categories of entities and thus Romania, member of the EU, should take over the IFRS for SMEs in the Romanian accounting regulations.