

COMPARATIVE STUDY OF THE PROFESSIONAL RULES USED BY ACCOUNTANTS

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Abstract

This paper aims to conduct a comparative study on national, European and international accounting rules in the field of accounting profession's organization and exertion. The first step of this scientific approach is positioning the general area of research chosen within the scientific theory in accounting regulations. Our scientific approach seeks to explain through a thorough and detailed approach the different aspects (conceptual and practical) of accounting regulations while seeking solutions regarding the evolution of their regulatory frame and practices in the field. Throughout the paper are to be found various concepts, regulations and practices in the field, in an interpretative manner, the point of view adopted by us being neutral, but also critical, since we get involved in the research from a private and personal perspective.

In terms of methodology and research perspective, the whole scientific approach has combined the qualitative research with the quantitative one and the theoretical (descriptive-conceptual) perspective with the practical one by analyzing the most important contributions of various Romanian and foreign authors to scientific knowledge in the field, respecting the coordinates based on which the accounting rules are addressed internationally and nationally.

Throughout the paper we used a wide range of research methods among which we highlight: document analysis, comparative method and typological method, non-participatory and participatory observation.

Transversal researches aim the comparative analysis of different viewpoints, the theoretical and technical aspects regarding accounting regulations, while longitudinal researches take into account while analyzing the evolution of scientific knowledge in the field of global, European and national relevant accounting regulations.

Keywords: national regulations, European regulations, international standards, accountants, financial reporting.

JEL Classification: M40, M41, M49

1. Introduction

In the current period, as consequence of the globalization of economy, harmonization, convergence and consistency in the accounting profession has become necessary, its responsibility being regulated by the quality standards and professional ethics, a responsibility resulting from the measures taken to protect the interests of users of financial - accounting information, but also from the protective measures taken for the prestige and image of the accounting profession. Information provided by professional accountants in their synthetic works, namely the annual financial statements, is used by stakeholders both in making investment decisions and conducting business activities.

Measures taken by national professional bodies and international organizations to ensure the convergence of European standards - IAS / IFRS with the U.S. standards - U.S. GAAP are recognized internationally and are of major importance in the process of convergence. The role of quality in the accounting profession and its loyalty to the public interest guarantees the improvement of accounting professionals' quality of work and of the quality of financial accounting information.

2. The role of professional accountants in the process of Europeanization and globalization

Accounting profession is subject to challenges both nationally and internationally in the current period, of which the most relevant are:

- emergence of an accountancy focused especially on events and not on operations or economic activities;
- development of activities in digital economy and the interconnection with electronic systems;
- permanent enrichment accounting knowledge;
- transfer of economic center of gravity from microeconomic level to macroeconomic and / or world level.

According to specialists in the field of accounting (Hlaciuc and others, 2010), "accounting profession, both in our country and in the entire European Union, will be at the center of information process that consents the dialogue between savers / consumers and businesses / society".

In our opinion the professional accountant has a number of responsibilities during the process of Europeanization and globalization:

- active involvement in the aggregation of IT services in the field of accounting;
- advising managers and investors;
- management of risk and financial forecasting;
- providing accurate, useful and timely information to stakeholders;
- management of information flow and optimal communication among stakeholders.

The professional accountant should give far greater importance to professional judgment in the interpretation of economic phenomena so to find solutions and financial - accounting formulas and implement successfully the principle of substance over form.

In the accounting literature there are opinions according to which (Ristea and Dumitru, 2011) "the accountant will be the one to select and decide over accounting policies based on constraints and diverse interests. Accounting relations with the external environment, the reporting entity itself, users and all other participants in the financial and social life will become the centerpiece of modeling in the accounting culture."

Consequently to the development of national economies and their presence on the global market, we believe it is necessary to report financial - accounting information in a uniform manner. IFAC strategy is oriented in this process of standardization towards strengthening the accountancy profession worldwide, based on professional accountants' ability to accumulate continuously new knowledge in accounting and assimilate the most significant professional experience. IFAC, as international accounting body, organizes multiple events for accountants worldwide targeted to achieve the coordination of activities and preparation for the implementation of accounting standards, while mitigating the differences in accounting standards and practices.

Currently, worldwide, are in use two accounting systems, the continental and the Anglo-Saxon, and two international referential frameworks, one issued by IASB and the other issued by FASB, being obvious a trend to harmonize them. Therefore, other referential than the national one is used more often in the elaboration of financial statements. For example, many large French enterprises apply American rules U.S. GAAP for the preparation of financial statements, and others present both financial statements in accordance with national regulations and financial statements in accordance with principles generally accepted by the United States of America (U.S. GAAP).

In countries where accounting is poorly regulated, strong firms adopt international or American standards, while in countries such as Britain very few entities refer to principles other than national ones. International accounting standards issued by the IASB (International Accounting Standards Board), i.e. IFRS (International Financial Reporting Standards), are currently applied in many countries of the world, such as Hong Kong, Australia, Russia, South Africa, Singapore and Pakistan, including European Union Member States. Over 100 countries around the world require or permit the use of IFRS or have a policy of convergence to them.

Regarding the convergence with U.S. GAAP, in a meeting held in Norwalk, Connecticut, the IASB and the Financial Accounting Standards Board in the United States (FASB) agreed to harmonize their agendas and work together to reduce the differences between International Financial Reporting Standards (IFRS) and U.S. Generally Accepted Accounting Principles (U.S. GAAP). In February 2006, FASB and IASB have signed a Memorandum of understanding that contains a schedule of issues on which the two bodies aim to obtain convergence. Securities and Exchanges Commission of the United States (SEC) currently requires all foreign companies listed on U.S. stock exchanges to prepare the financial statements in compliance with U.S. GAAP or their local accounting standards, accompanied by a note to reconcile local standards with U.S. GAAP. This requirement creates significant costs for companies listed both in the U.S. and other countries. SEC has proposed to amend this rule by eliminating the requirement to conduct reconciliation with U.S. GAAP for foreign companies that prepare their financial statements in accordance with IFRS.

3.Comparative study on accounting rules regarding the structure of financial statements

Freedom and compliance for the preparation and presentation of financial statements differs according to the normalization system adopted:

- U.S. GAAP System;
- IFRS System;
- European Accounting Directives System;
- National or Local Accounting Regulations System.

Similarities and differences between IFRS, U.S. GAAP, European directives and national regulations, manifested in the components of annual financial statements: balance sheet, profit and loss account, statement of changes in equity, cash flow statement, notes to the financial statements, are presented in Table no.1.

**Comparative study on the accounting rules
regarding the structure of annual financial statements**

Table no.1

	OMFP 3055/2009	CEE European Directives	IFRS	US GAAP
Structure of Financial Statements	Balance sheet; Profit and loss account; Statement of changes in equity; Statement of cash flows; Explanatory Notes; Data; Statement of fixed assets; - According to OMPF 52/2012.	Balance sheet; Profit and loss account; Annex to the Balance sheet or the notes to the accounts in accordance with European Directive EEC	Financial position; Statement of comprehensive income; Statement of changes in equity; Statement of cash flows; Notes to the financial statements, accounting policies and other relevant information.	Income statement; Statement of comprehensive income; Statement of changes in equity; Statement of cash flows; Notes to the financial statements.
Financial position	Romania opted for the difference or list scheme in regard to the balance sheet, in accordance with the OMPF 3055/2009. Entities that have registered a turnover of less than the equivalent in RON of EUR 35,000 present a condensed balance sheet.	Accounting Directives, in particular European Directive EEC presents schemes and patterns that define the form and format of the financial statements. To represent the financial position of an enterprise the European Directive EEC recommends two schemes: - in the form of balance sheet picture or account or separate sections; - In the form of list or difference. Scheme as the account is based on the equation: ASSETS = LIABILITIES + EQUITY Scheme as a list or difference is based on the following equation: ASSETS - LIABILITIES = EQUITY	Each entity shall determine, based on the nature of its business, whether it is better or or not to present the current assets and fixed assets and current and long term liabilities, as separate classifications on the balance sheet. If it decides not to make this classification, assets and liabilities will be presented in the balance sheet in order of liquidity.	Unlike IFRS, U.S. GAAP does not prescribe a standard format of financial position.
Statement of comprehensive income	Regarding the profit and loss account, our country has opted for the list scheme of the profit and loss account based on the classification of expenditure and income by their	There is not a universal scheme of presentation of the profit and loss account. Depending on the two patterns, by nature of expenditure and income, and by	An entity shall present all items of income and expense recognized in a period: - In a single statement of comprehensive income; - In two statements: a	All components of the net income and other elements of comprehensive income must be reported in a financial statement for the period in which they are

	nature.	function (destination) of expenditure and income, a variety of models determined by national agreements and legal, fiscal, economic requirements are presented.	statement that shows the components of profit or loss (individual statement of income and expenditures), and a second statement beginning with the profit or the loss and displaying other elements of the comprehensive income (global income statement)	recognized. The overall result can be: <ul style="list-style-type: none"> <input type="checkbox"/> As part of the income statement <input type="checkbox"/> Independent <input type="checkbox"/> As part of the statement of changes in equity. IFRS does not permit this presentation. U.S. GAAP prescribes a standard format for the statement of comprehensive income. Whether simple format (expenses are classified by function) or multiple (operating costs, storage and transport are shown separately), it is acceptable.
Statement of changes in equity	Digital notes must be accompanied by information on: the nature of the changes, tax treatment where applicable, any other relevant information.	-	For each component of equity, the entity shall disclose, either in the statement of changes in equity or in the notes, an analysis of other elements of comprehensive income. Also, the entity shall present, either in the statement of changes in equity or in the notes, the amount of dividends recognized as distributions to owners during the period and the value of dividends per share.	If there are presented both in the financial position and the results of operations, the entity shall disclose changes in separate accounts that contain equity (in addition to retained earnings) or in a statement of changes in equity, within the basic statements or in the notes to the financial statements.
Statement of Cash Flows	An entity presents the cash flow statement for each period for which financial statements are presented annually. The cash flow statement shows how the entity generates and uses cash and cash equivalents.	-	All entities must present a statement of cash flows, which provides information about changes in cash and cash equivalents.	Similar to IFRS, except for: <ul style="list-style-type: none"> - Benefits related to pension plans and other employee benefits; - Certain investment companies that meet specific criteria.
Notes to the financial statements	The explanatory notes to the financial statements refer to: -	According to European Directive EEC, Annex is a	Notes to the financial statements are prepared to elaborate and complete the information presented in the balance sheet,	

	Fixed assets; - Provisions; - Distribution of profit; - Analysis of operating results; - Assets and liabilities situation; - Accounting principles, policies and methods; - Participations and funding sources; - Information on employees and members of the administrative, management and supervision department; - Examples of calculation and analysis of the main economic - financial indicators; - Other information.	summary of the accounts, which together with the balance sheet and profit and loss account form a whole. The directive specifies that certain information in the balance sheet and profit and loss account should be elaborated in the Annex, if they are significant.	income statement, cash flow statement and statement of changes in equity. Notes to the financial statements should be presented in a systematic way. Each item in the balance sheet, profit and loss account, cash flow statement and statement of changes in equity should refer to all related information in the notes. Notes to the financial statements include narrative descriptions or more detailed analyzes of amounts shown in the balance sheet, income statement, cash flow statement and statement of changes in equity, as well as additional information such as commitments and contingent liabilities.
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Freedom of professional accountants and, at the same time, the compliance on the preparation, approval and presentation of financial statements are different depending on the system of accounting standards adopted: U.S. GAAP, IFRS system, European Accounting Directives and the national system.

Romanian accounting system underwent a reform process starting from the use of European Directives, assimilation of French accounting model and its subsequent orientation towards the Anglo-Saxon accounting system. Romanian accounting system currently uses a combination of accounting rules, their perfect consistency being the goal of professional accountants. Consistency of national rules with international ones and their compliance with European directives constitute a guarantee of Romanian economic integration in the European and global economy.

Romanian accounting system's efficiency is ensured by the balance between National - European - International accounting rules. Amending and supplementing any accounting system is a must, starting from the changes of business environment and cultural conditions as stipulated by some accounting professionals (Ristea, 2000) "No accounting system is very good and all systems are infinitely variable. Those who have the courage, humor and energy to adopt, elaborate and implement an accounting system have only one chance: << to elect it and not allow its change often. >>" However, the system chosen should not be too flexible nor too rigid, and during the respite between the two extremes the professional judgment should be encouraged in making decisions on the accounting treatment of economic transactions and events. "

4. Conclusions

Accounting regulations on financial - accounting statements shown in our research do nothing but suggest how various they can be.

International Accounting Standards were developed along with the practices generated for solving special cases and particular economic processes, by using international experience. Based on the distinctive characteristics and taking note of the entire contents of both the International Accounting Standards and the European directives in the field of accounting, we can say that it treats, on segments well-defined, all property items of different categories of entities (including banks and insurance companies, as well as those in agriculture).

The main guidelines and projects for development and modernization of IFRS are included in the amended strategy and work plan of the IASB. In setting the priorities from the revised work plan, the focus was put on prioritizing large projects and on the areas where IFRS and GAAP applicability can be improved. It will be taken into account with priority the issues exposed and criticized during the crisis, namely, financial instruments, fair value, strengthening and rehabilitation.

In conclusion, globalization of the economy calls for harmonization of national accounts by IASB, since the future is now in global standards, not local ones. We believe that the future will bring about a compromise between these standards, for an internationalization of accounting language that is required especially by the globalization of capital markets.

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