CONSIDERATIONS REGARDING HISTORY OF INTERIM FINANCIAL REPORTING

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Abstract
Financial reporting is nowadays, the basis of the decision making, investment and commercial and financial transactions. The present form of the financial reporting is based on history and human evolution, being observed even in Egyptian period. The paper is presenting the evolution of financial reports, underlining its stages, finalising with the appearance of interim financial statements. It is well recognised the internationalisation of the accounting statements and reports, as a result of the business and trade globalisation, the national borders being eliminated by common standards and principles.

Key words: *financial reporting, accounting, decision making.*

JEL Classification: *M40*

I. INTRODUCTION

Accounting reports are the first written record that still persist. The earliest examples (found in Luca Paciolo's treatise) are the "lists of properties" also known as assets. Reporting on assets reflect the wealth holder, represented by a person who crossed the report period, was called Pharaoh, king or feudal landowner (Lungu, 2007). Out of the accounting up to the moment of industrial enterprises or depersonalized large partnerships (with a large diffusion of capital), it can be seen that the financial statements did not play an active role, being non-standardized, often even on a periodic basis, though, since the dawn of commercial capitalism, many authors claimed their preparation. The explanation results from the need analysis that accounting would be answered in the past: as long as act as a tool for the conservation of heritage, as was the case even for most companies that acted during commercial capitalism, the financial statements were not relevant. At the time of their appearances, the financial statements allowed only better organize accounting data, a summary of them, but not that they are used to make economic decisions: "Is simply a well-organized report on the agent's responsibilities" (Littleton, 1996).

The industrial revolution at the beginning of the eighteenth century, which generated significant developments of funding resources, was the one which boosted the normalization process through financial statements. Intense need of funding forced the creation of various forms of association that proved problematic in a legal and economic reality defined unclear. Accounting normalization is defined in the literature as harmonizing the presentation of financial statements, the accounting methods and terminology (Casta, 1989) which is achieved by defining the principles and accounting rules.

The evolution of the financial statements is actually an adaptation of the structure of names and concepts of the summaries or calculations "input-output" of economic events in the businesses life. Over time, different models were countered o annual financial statements, showing the wealth of an entity in a manner freely chosen or imposed by accounting rules (Mihalciuc, 2009).

II. THE STEPS TO FINANCIAL REPORTING

As start of the annual financial statements are Florentine trade records which showed the turnover, credit and receipts records in clients' accounts. With the evolvement of accounting procedures, also have evolved the annual financial statements (Mihalciuc, 2009). A summary of these early forms of financial reporting can be reported below, in Table 1.

In order to satisfy the information needs of the 'outcomes' users of accounting, it resorted to one's own process of generalization and synthesizing data on company property, known as the balance sheet. Balance sheets began to be made with the discovery of accounting and not just a practice of the contemporary era. Thus, we started from the balance sheet as inventory inscribed on ceramic tiles, wood waxed, etc., then they have outlined many theories of the balance sheet, and practically the mandatory annual balance sheet was established in France by trade order dated by Colbert in 1673. The scientific aspect of the need of the annual balance sheet is presented by Simon Stevin (Berheci, 2010).

Table 1. Evolution of financial reporting

Authors	Type of financial reporting
1494, Luca Paciolo	− wealth of the trader using equality between home and capital;
1712, De la Porte	− social classification of accounts: Account of owners; account of things; accounts of persons;
1793, Edmond Degrange	− five accounts theory: goods, house, received effects, effect payment, P & P;
1817, Quincz L.J.	− account cash turns it into cashier account; P & P account transforms in the capital account and the property account;
1873, Cerboni	− owner account; business account;
1881, Schrott Joseph	− Private accounts: Accounts of substance; operating accounts; accounts of persons; − Totalitarian capital account; results accounts.

To track the role and evolution of financial statements, we believe it is useful to present their classification performed by A.C. Littleton, on the assumption that the financial situation can be considered any tabular formalization of financial information of a business' financial: “Financial statements so defined may be subdivided into two categories:

- Financial statements in double entry, i.e. tables that are: synthesized based on double-entry accounts; separate accounting records (i.e. they are presented separately);

- Other presentations of information, i.e. tables: are derived from sources other than accounts prepared under double game; contain the same type of general information and statements as prepared under double entry, but not separate accounting books (found in ledgers content)”.

Obviously, the second format is more rudimentary, particularly met early in asserting double entry, because in the evolution of financial statements format, often their characteristic information were inserted in the books, there is no practice of their separation. The next step was the preparation of profit and loss that, at first, over balances from the register (thus functioning as a more general financial situation) and to download later into the capital account.

We underline that the purpose of such financial statements was of calculating the result of the year, by deduction of the equity (which obviously is not included in profit or loss as in modern formats of the balance sheet) of the total assets and liabilities. Formally, on the left, is presented the synthetic assets (with the main positions, sometimes single currency, total claims and all other assets belonging to the merchant) and, on the right, the liabilities (equity and debt to creditors) and finally, also on the right, the result as a residual amount (Littleton, 1966).

The next step towards financial reports was done when the balance has not served strictly to control the correctness of entries in the accounts, but began to show the assets and liabilities in a form that allows the transfer to registries the following period. Even now is understood though that not the financial statements, but the balance sheet has this role, the step has enabled the notification that financial information grouped in the balance as the information summary of accounts can enable easy analyses of the trader situation, also creating the awareness opportunity of the link between actual and nominal accounts.

After successive improvements, especially due to the growing importance of drawing their up, the financial statements arrive to differentiate books. A number of British merchants began to present balance sheets separate from books (Chartfield, 1977).

Even if at first they are not produced at regular intervals, at most as a result of legal requirements, their development has created the premises to be used when business required such.

Financial reporting in the civilized world has evolved from two general models, whose objectives were different to some extent. The earliest systematic form of regulatory accounting was developed in continental Europe, being initiated in France in 1673. Here the government introduced the annual balance sheet based on fair value as a measure to protect the economy against bankruptcies. Subsequently, several states have copied the French model, and in 1807, this form of accounting was included in the Commercial Code of Napoleon.

This accounting model serves mainly as a way of moderating relations between private and state individual companies. The model is used to assess taxes and limit the dividend payments, and is also a way of protecting normal functioning of the economy, penalizing carelessness and unsafe businesses.

Donors and investors needed to report on profitability. A first formalization of these reports is the 16th Amendment to the US Constitution. With this amendment, the Congress is authorized to impose taxes on profits, which creates the need for *Profit Reporting Statements*.

Regarding the preparation of the balance sheet, in the XV – XVIth Centuries, there is no obligation of drawing up balance sheets, compiling them usually at the end of the business for which they were established or at merger, split, etc. Subsequently, drawing regular balance sheets has become a necessity determined by certain factors. For example, in France in mid seventeenth century to the outbreak of a wave of bankruptcies, it has imposed the need for trade reforms that provide also regularly preparing the balance sheet. In our country, the balance sheets have evolved from “storehouse codex”, which in the Middle Ages recorded state revenues and expenditures, balance schemes, presented the first time in the paper of E.I. Nikifor, *The Commercial Rule,* in 1873 (Berheci, 2010).

After 1900, the presentation of financial reports began to be normalized in more detail than before, the financial report was a means of monitoring business activities scale (Epstein, 2005) in order to inform shareholders that were not part of management. Moreover, it seems that most companies (at least the British ones) were publishing more detailed information than required by law (Edwards, 1989), which requires almost self-conclusion that already the British market information started to be a competitive one (to demonstrate this relationship can appeal to contemporary accounting information market in the United States).

Over time, the area of concern on the line improvement of accountancy has expanded continuously, aiming at new and new objectives: increasing the operative character of accounting information and the edge of its forecast, improvement of methods and procedures of accounting, the main focus putting on streamlining and simplification of primary documents, their rehabilitation to requirements of mechanization and automation of data processing (Demetrescu, 1972). At present, we can state that accounting in Romania, has achieved the maximum of development through IT system, all managerial and financial accounting operations being made through accounting systems (Morosan-Danila, 2015).

The issue of national accounting has been discussed since 1938, it was approached by professors Richard Stone and Wassily Leontiev (USA). In 1952, it was resumed by Claude Gruson (France) and at the International Congress of Accounting in Paris in 1967 was raised by Kirschen S. (Belgium), Paul I. (France). Some of these authors have designed national accounting systems using national accounts, synthetic and analytical tables of inter-industry trade and inter-industry balances. It was argued, inter alia, that indicators such accounts should be developed based on accounting data contained in balance sheets and reports, using therefor electronic means, whose introduction to teaching analysis and forecasting macroeconomic would heavily influence the existing accounting systems (Demetrescu, 1972).

III. TRANSITION TO INTERIM FINANCIAL REPORTING

Interim Financial Reporting (IFR) started in 1902 with United States Steel Corporation becoming the first corporation in the country to publish quarterly financial information (Mensah, 2008; Epstein, 2006), and New York Stock Exchange, since 1910, reported that supported the development of interim statements. Information presented in the documents of financial reporting were also addressed in the rules of Statement of Federal Financial Accounting Standards - SFFAS of the Financial Accounting Standards Board - FASB, the norm SFAC 1 “Objectives of Financial Reporting by Business Enterprises” in 1975, in International Accounting standards - IAS / IFRS developed by the International Accounting standards - IASB by IAS 1 “Presentation of financial statements” in 1975, the European Directives by Directive IV on the annual accounts of certain types of companies, in 1978 and in our country by Accounting Law. 82/1991 and its implementing Regulation.

International Accounting Standards Board (IASB) issued in 1998 the International Financial Standard No. 34 regarding the interim financial reporting to be applied from 1 July 1999. The stated objective was “to prescribe the minimum content of an interim report and to prescribe the principles for recognizing and measuring financial statements presented for an interim period”.

At the level of national rules, are no standards related to interim financial reporting, particularly in the USA, where relevant requirements are from 1973, while international accounting standards have addressed this issue in 1998, when it was issued the standard for financial reporting interim. International Accounting Standards Board exhibited it in August 1997 the draft of the future standard.

Simultaneously with legislative developments in the USA, other countries perceived the need for more than annual financial reports. Although the London Stock Exchange has included for long time, among its listing requirements, the development and distribution of interim financial reports every semester, UK regulators have formally adopted these rules for interim reporting in 1997. Accounting Standards Board from the Britain Declaration on Interim Statements and Progress Ad (issued in July, 1998), regulated the “best practices” guidelines intended to supplement the voluntary guidelines of the London Stock Exchange. In Australia, although quarterly interim reports were required by securities laws in the early 1970s, the formal requirement to prepare interim financial statements every half year was promulgated for the first time in Standard no. 1029 (AASB 1029) of Australian Accounting Standard Board, “Interim and Consolidated Accounts”, issued in December, 1994. This standard was replaced in October, 2000, when AASB adopted a new statement: “Interim Financial Reporting” (AASB 1029). In Canada, the interim quarterly reporting was needed first in 1971, but was subsequently amended by a new standard “internal financial statements”, published as CICA Handbook, Section 1751.

2005 marks the beginning of a new era in business and the culmination of 30 years of effort in contributing to financial reporting rules for a global capital market. From this year, 15,000 listed companies from 25 Member States of the European Union, Russia, Australia, South Africa and New Zealand produce annual financial statements in accordance with a single set of international rules - International Financial Reporting Standards (IFRS).

Meanwhile, a large number of USA companies using US GAAP, such that the majority of businesses worldwide proportions reported in one of these two systems of accounting rules. At the same time, it standardizes agreed to try to align the two systems.

IFRS - U.S. G.A.A.P. convergence project is a significant asset of international accounting referential rapprochement and could facilitate acceptance by the Commission of American securities (SEC) financial statements prepared under International Financial Reporting Standards, European companies wishing to quote the USA market, without resorting to an array of correspondence with American standards.

The convergence process between international and American referential received strong support from the European Commission. According to the IASB Chairman Sir David Tweedie, and courts leading USA Securities Commission (SEC), are pursued in the medium term the following aspects: technical assistance related to the use of the concept of fair value; required to prepare, submit and publish situation of economic performance (comprehensive income); adherence to the American model on the segment reporting.

The growing interest for interim financial reports, felt in the market demand, is thus reinforced by the international accounting regulatory body (IASB). By issuing IFRIC-10, IASB shows his concern for the issue rules to support companies in preparing interim financial reports, but at the same time seeking and creating common reporting rules.

The end result of the accounting process results in a set of reports called financial statements, annual accounts or summary documents, names differentiated depending on the area of normalization, but essentially refer to the same issue.

IV. CONCLUSION

The evolution of humanity has created the necessity for more information and for more short and efficient processes, especially related to commerce, trade and business, in general. Accounting information is the base of the decision making, for owners, potential investors, clients or employees, this base being presented in synthesis by the financial statements. Globalisation and free circulation has required standardised reports and statements, this being achieved through IFRS and IAS.

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