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paper text:

EFFECTS OF INTERNATIONAL FINANCIAL REPORTING STANDARDS CONCERNING THE FINANCIAL CONTROL Gheorghe Morosan

6**Stefan cel Mare University of Suceava, 720229, Romania** morosang **@seap.usv.ro** **Abstract The** purpose of this **paper**

is to present the "normalization accounting practices" specific anglo-saxon countries, it is devoid of normative reference systems being influenced by operational practice. Accounting rules that define economic evaluation procedures for recording and best practices resulting from active and fully recognized by professional accountants that are encoded by authoritative professional bodies, respecting the best financial and economic doctrines. Yet another object of the work is to show the effects of international standards of financial reporting on financial audit and financial control then the accountant. Key words: accounting principles, internal control system, financial control, IFRS, Romania JEL Classification: M40, M42, M48 I. ACCOUNTING PRINCIPLES, SCI AND LEGAL FRAMEWORK IN ROMANIAN ORGANIZATIONS Internal Control System (SCI) of an organization includes a set of administrative control processes / accounting is done based on the analysis and evaluation of existing control systems. Successive checks are carried in space-temporal comparisons and/or new economic and financial phenomena revealing the company. The fundamental aspect of a control strategy is to achieve a reliable support / collaboration with responsible activities under control. The following is summary of interest issues that may directly/indirectly Romanian organizations on the implicit relationships between the accounting system, financial statements which provides accounting and regulatory legal framework that imposes Romanian legislator. Already consolidated balance sheet known role as the main communication tool of economic and financial type, designed to provide a broad palette of stakeholders (investors, financiers, banks, customers, suppliers, etc.) "minimal knowledge" so that these subjects able to meet their informational and decisional requirements. Any form of data communication from the balance of a company's financial concerns and the financial annual communication between organizations and various stakeholders requires a relatively common language between the issuer and those who receive/receives various information, which is why you want a certain "standardization "accounting and financial data to the public. The economic and financial communication, common language is the accounting rules consenting process for the conversion of operations economic developments in figures (as of preparing financial statements) and a process of conversion of figures in economic transactions (as those who use financial statements). It is therefore necessary "accounting normalization process" involving a complex of seven rules to standardize criteria based on the representation and interpretation of balance sheet values. These rules, whether general or particular, can be derived from accounting practice or may be laid down by law (Dumitrescu, 2008, p 10). In the first case, one speaks of "normalization accounting practices" specific Anglo-Saxon countries, it is devoid of normative reference systems being influenced by operational practice. Accounting rules that define economic evaluation procedures for recording and best practices resulting from active and fully recognized by professional accountants that are encoded by authoritative professional bodies, res- compliance with the best financial and economic doctrines. In the second case, one speaks of "normalization regulated accounting / legal" - characteristic of our country where the debt lies with the legislature to develop a general accounting rules to define the minimal aspects of economic and financial communication. Drafting of annual financial statements is presented through a set of rules and refers only to "normalizing" stock schemes and structures or values shown in the balance sheet. Since balance is the position vector of information of various categories of stakeholders of financial- economic activity of the entity, it is necessary that it be clear and credible, ie to be able to properly represent the economic, patrimonial and financial entity. It is obvious that such a representative capacity balance can be injured more subjective components of uncertainty that characterizes the drafting of the document, so that auditors are responsible for expressing an opinion on the credibility of which is for users of financial statements "guarantee of quality" balance sheet information (Quaqlui 1998, paragraph 2.1). In figure 1.suggest the connection between the different rules in the field, accounting principles and legal framework to which the organizations in Romania (accounting normalization imposed by the legal text of the legislature can sometimes be relatively more rigid than normalization based on accounting practice in Anglo- Saxon). Figure 1 Ratio of accounting principles and legal framework Auditor, having a duty to express an opinion on the degree of approximation to balance economic reality, is interposed between the transmitters and stakeholder entity to consolidate the information contained therein. The existence of a set of accounting principles, rules and practices of recording and evaluation of economic transactions and representation of values in the balance sheet requires the role of 'confrontation conventional terms, "to which the auditor may inform in expressing his opinion (Richman, 2005). In fact, the balance may be "certified" only if it corresponds in form and content determined by reference standards, without which the views expressed by the auditor should be permeated with excessive discretionary. In figure 2 this relationship between management control function in Romanian organizations face three types of financial statements that can be deduced from the accounting entity. Figure 2 Purpose financial statements Accounting principles only explain their usefulness for auditors relieving them discretionary work and limiting their credibility evaluation sheet, but also for those who write and draw up the balance sheet and for each category of user accounting information. For the first, these principles facilitates the conversion of economic structures in figures, their compliance is motivated by achieving positive opinions from the auditor that uses these principles as standards to establish credibility balance sheet in exchange for preparers balance, accounting principles facilitates conversion figures patrimonial structures, reducing uncertainty and increasing for these interpretive credibility auditor's opinion. II. THE ISSUE OF EFFECTIVENESS AND EFFICIENCY OF THE ACCOUNTING PRINCIPLES Effectiveness and efficiency of accounting principles Romanian organizations as economic and financial communication language are subject to the following requirements / conditions (these requirements are induced and legal framework on Accounting in Romania). 1) acceptance (accounting principles) comply more effectively target the economic and financial communication. It does not identify the diffusion of accounting principles, but rather recognition of the broad subjects interested in communicating economic and financial principles to regulate specific accounting problems. The general acceptance of accounting principles, in this case, is not only a requirement of these principles, but a consequence of the role that accounting principles are called the place. Widespread use of a significant principle is based on the positive opinion that it receives in practice and therefore renders it "generally accepted". 2) credibility refers to the fidelity of the information contained in the balance sheet. A principle is more credible with both is a better approximation (highlight) the economic reality derived as a consequence of its balance sheet. For this to occur, it is necessary accounting principles comply with best accounting theory which defines the relevant information to meet user requirements and seeks balance for reduced uncertainty in the drafting of such a document. 3) objectivity refers to the "univocally" accounting principles, clear in its wording and the impossibility of their distorted, which could confuse users balance. Objectivity "should be characterized by two aspects: by a reduction or absence of accounting treatments that can alternate between them, but also by the content of the principle of clarity. The first is necessary to provide comparability in time and space of the balance sheet, the second facilitating the principle becomes highly relevant, especially for the auditor, as no ambiguity principle confirms the role of standard by which auditor may form a professional opinion. 4) the analytical character refers to the degree of detail that characterizes accounting principle, it is closely connected with the objectivity, because the principle is more detailed specifications to be made on the basis of accounting rules will have less ambiguity. Analytical aspect can refer to "selective application of the principles of the productive sector or sector size." 5) applicability - respect in greater efficiency objective as follows adoption easier and verification of accounting principles, representing a saving of resources on the drawing sheet and auditor. In fact, a principle may reveal valid when the benefits derived from the adoption outweigh the costs. Supposedly requirements / conditions listed above can often be contrasting between them, so accounting principle must be the fruit of a valid compromise thereof. It can be also a contrast between objectivity and credibility, if we understand objectivity as an absence of alternative accounting solutions, it can damage credibility; May exemplary - if rigorous due to the appearance of objectivity, it would be permissible coded methods assessment only on cost evaluation, would substantially harm natural representation of control, which, in turn, is obtained by evaluating this criterion book value (Marchi, 2004). So framewor and the control/audit problem shall be set out more clearly by us in the last k imposed by the legislature, senior d depending on the overall strategy of the business organization (relationship between this strategy paragraph), subject to the legal way proper application of ecision-maker will have to find the accounting principles, the SCI procedures and certain types of financia l statements communicated to stakeholders. Figure 3 Accounting principles and the users of balance sheet Often there may be a contrast between credibility and applicability; simple rules, easy to apply, not always can help to highlight consistent with reality. An example can be the criteria for defining depreciation allowances: calculating mathematical constant depreciation rate is certainly easy to do, but not always reflect the "share of consumption" has actually fixed during the production process (Marasca, 1999 p.138; Marchi & Allegrini, 2003, p. 59). III.ROMANIA AND THE EU, THE INTRODUCTION OF STANDARDS IAS / IFRS As we mentioned, International Standards Accounting Standard (IAS) called in 2001, International Financial Reporting Standard (IFRS) is the final goal achieved

1**by the EU** in **the process of** harmonization of **accounting** legislation in **all Member States. The**

1**International Accounting Harmonization process is manifested, in Europe, by** year **intense convergence process with the International Accounting Standards IAS / IFRS,** International Accounting Standard **made by the Board**

(IASB)

(Bostan & Grosu, 2010). Need to create a uniform accounting system arises from the fact that

1**to create a common market** have supported **the process of** harmonizing **national accounting**

rules, as this allows

1**comparability and transparency of** economic **information** provided **by entities,** thus **improving the quality and** usefulness **of** keep **such information** to **external users**

(Azzali, 1996, p.57).

1**This harmonization process began in the 70s** when **the European**

Commission issued Directive IV and VII of the book, on simple and consolidated annual accounts. In summary, the various efforts made by the EC to "close" the accounting systems in Europe compared to the U.S. or other Western countries have seen an upward trend, although some Member States have expressed reservations about the process, such reserves exist today Whereas uniform accounting systems should gradually lead to uniform tax systems of the Member States. The

2**difficulty in reading the Annual Financial Statements as other Means used by the company to** communicated **with the Economic and Financial community resides, as already Stated, not only in the syntactic complexity of the documents but Also in the Possible Attempts to make** favorable **depictions or** manipulated **the accounting information in using** the **technical language That May be Difficult to understand by stakeholders and particularly investors who** are not a **trained** Necessarily **Financial and accounting** professionals in **the**

field (Grosu, et al., 2012). In addition to the need for harmonization of accounting systems' boobs EU U.S. model, there are other reasons that led

1**to the adoption of IAS / IFRS. On** the **one hand,** an **objective**

of prime importance in the community,

1**especially after the accounting scandals** that **took place** over **the ocean (Enron, Worldcom) is to** achieve **a more efficient** accounting **transparency** of communication, able **to** provide stakeholder -OF **THE useful information** on **the** economic situation and **the** economic **result of the company,**

enabling economic decisions in full knowledge (Moretti, 2004, p.2593), for this purpose, balance typically Anglo-Saxon to USGAAP, and IASC standards (Schon, 2004, p. 428). Secondly,

1**IAS / IFRS are inserted** into **the process** that could **lead to the adoption of the so-called EUCCBT (EU Common Consolidated Base Taxation),**

ie, a single set of rules to determine common corporate tax base, to apply uniformly to all Member States. IV.ROMANIA AND THE EU: SUCCESSIVE APPLICATION OF IAS / IFRS The first application of the 'endorsement' ended with the publication of Regulation no.1725/2009 of 29 September 2003 (Official Gazette of the EU no. 261 of 13 October 2003). This regulation was adopted all IAS and SIC rules in force on 14 September 2002, except for IAS 32 and IAS 39 (with interpretations). Lack of adoption was due to heated debate during that period affected the two standards. After the first approval rules followed others, so that whole "set of accounting standards" approved by the IASB have been almost entirely included in the legislation. Normally, each new regulation approval to make changes and different standards from those directly concerned to allow the necessary coordination with the new aspects introduced gradually. It is very important to be fully aware of the macro-economic Circumstances of the country or the countries WHERE entity is operating the generating goodwill, apart from the economic sector it operates in (Grosu, Hlaciuc, Mates, & Socoliuc, 2012). Is not constitute a object of the application, the conceptual framework developed by the IASB, which contained basic choices made by it, in order and balance functions of accounting rules applied by each standard. The European Commission has published translations in different EU languages, in an annex and a proper document, depending on the importance of this document invested in interpreting accounting standards. It is important to remember that each approval Regulation is directly applicable in each Member State - possibly the exemptions adopted by the domestic laws of those states. Has significant importance and EC Regulation no. 1787/2006 of 4 December 2006

10**by the European Commission** extended **the** requirement to use **IAS**

/ IFRS approved in the EU and third country issuers to submit

10**a public offer of securities in** the **EU,**

9**third country issuers whose securities are traded on a regulated market in the EU,** namely the Regulation on the prospectus, and the Directive on

11**Transparency (Directive 2004/109/EC of 15 December 2004).**

Since 2009, these issuers should prepare their

14**financial information in accordance with** IAS / **IFRS or**

accounting rules related to a non-recognized "equivalent" to IAS / IFRS approved In this respect, the Commission, in accordance with a proposal by CESR recognized that a necessary condition for recognition of equivalence of third country GAAPs that "investors should be able to make a similar decision, irrespective of whether that their balance sheet was presented and has been prepared in accordance with IAS / IFRS and third country GAAPs (EC Commission, First Report, Part 2). V. CONCLUSION In conclusion we can say to that is appropriate to mention just some of the EU Directives that have contributed significantly to the adoption of IAS / IFRS on the Community market and, consequently, the gradual adoption of Romanian law: a. Directive 65/2001 or Directive "fair value" Directive 65/20 01

13**introduced the** term **"fair value"** on **the** assessment **of** their **financial instruments:**

the direct influence especially the fourth account, providing the possibility for Member States to make exceptions (not all companies to be required to determine the fair value of existing items in the balance sheet of the financial instruments including derivatives). The concept of derivatives is provided by Directive 65/2001, but can be found in International Standards of Accounting, IAS32 and IAS39 in particular. This directive specifies, in particular, the financial instruments are excluded from the application of "fair value" is highlighted financial assets and liabilities stated in paragraph 4 of art. 42 bis, Directive IV. In CEE the concept of "fair value" evaluation criterion provides that the financial instrument is initially recorded in the balance sheet at cost claimed for the purchase, but then its value must be updated according to the changes in market value and profits or such losses will be recorded in the balance sheet in the category of financial instruments held to be negotiated or financial assets available for sale. b. Directive 51/2003 that significant changes to the accounting directives based community (IV and VII) This directive is the most incisive change to accounting directives in terms of IAS / IFRS. In fact, the difference between Directive 65/2001 which was focused solely on the criterion of "fair value" - this new Directive introduces general changes involving both the structure of financial statements and evaluation criteria. Directive 51/2003 consists of some compulsory and binding for all national legislators, and an optional part, whose implementation is left to the discretion of each Member State. This Directive must be implemented by 31 December 2004, but the legislature had to fulfill this obligation only

12**after the decision of the European Court of Justice**

(8 March 2007) by developing the law 32/2007. This decree whose provisions have been implemented since 2008 balance includes only the application of the mandatory part of the Directive, abandoning the

voluntary, that being innovative, it would have been difficult to implement. c. Directive 38/2003 - a complement to European accounting framework to support the implementation of standards IAS / IFRS For the sake of completing the European accounting framework is necessary to dwell briefly on the 3rd to the directive, which is intended to change the Accounting Directives to play them according to standards IAS / IFRS, but to act indirectly on the framework for applying IAS / IFRS, in fact expand the number of companies that will benefit from the ability to produce balance in abbreviated form, by increasing the existing maximum levels. Impact on the scope of the IAS / IFRS arises from the fact that companies have the right to make balance in abbreviated form materializes impossibility of adopting International Accounting Standards (Sotto, 2003). This has caused an increase in casual indirectly limit below which prohibited the adoption of international accounting rules. VI. REFERENCES 1.

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