

SITUATION OF INTERIM FINANCIAL REPORTING IN ROMANIA

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In Romania, unfortunately, here we can not speak of the existence of interim financial reports. The financial statements required to be submitted to the tax authorities for the first half of each fiscal year are rather too short list of the main economic - financial indicators than a tool that can be useful to a financial analysis. Notes to the interim financial reports often are brief or nonexistent and presents irrelevant information in understanding the evolution of society. The article is presenting the appearance and evolution of financial reporting from Romania, with accent on the interim ones.

Key words: *Interim financial reporting, accounting, balance sheet, decision making.*

JEL Classification: *M40*

I. INTRODUCTION

The idea of accounting regulations in our country dates from the interwar period. In accounting literature of the period, accounting regulation was treated as a necessity to standardize the accounting of different organizations being outlined several solutions:

- Uniformity of accounts name;
- Setting scheme-type of balance sheet and profit and loss account;
- Establishing a plan or multiple charts of accounts,

In Romania, in 1927, was adopted a law that reflects international concerns regarding accounting evolution and that RAs and other state enterprises were obliged to prepare the balance sheet and profit and loss account under a scheme-type, and since 1934 that requirement was forand to banks.

The transition from centralized planned economy since 1949 has meant the introduction of a strict accounting, a process known as the standardization of accounting.

In the period 1950-1990, the accounting normalization was exclusive prerogative of the State, through the Ministry of Finance, were introduced accounting rules based primarily on charts of accounts differentiated by industry, accompanied by strict application instructions.

II. FINANCIAL REPORTING IN 1949-1989

Accounting has a particularly complex task, based on the huge number of data they collect and record, applying a suitable method and an appropriate methodology for ordering, processing and selection, and can provide a synthetic image intended to reflect the full economic situation and the activity of the unit. To this end, the accounting as procedure the regular representation of the economic and financial situation and the developed processes through reports. The report is drawn up usually on standardized forms. Using a system of indicators is shown the economic and financial situation and the work done by a unit in a given period (Regulation of the reports is given by HCM no. 1885/1970 and "Methodological Norms concerning accounting entities", the Order of Ministry of Finance no. 595 of December 31, 1970), the language used for measuring and expressing phenomena and processes reflected in the report is that of figures (Lanczos, 1975).

The records, as centralization and reporting document of accounting data, have an important role to inform higher bodies on the progress of execution plans for revenue and expenditure in the budgetary institutions and in centralizing various stages of data on the state budget execution. Therefore the control should observe how the conditions for completing the form at the reports and if all their forms are completed with the necessary indicators. Checking the accuracy and truthfulness of the reports must be the paramount objectives for economic and financial control, given the role of information, analysis and control they have these summary documents (Topciu, 1970).

The records may be monthly, quarterly and annual. The records include several monthly indices - focused on the balance sheet, or in a separate case – show business and financial results of the reported month (Stanescu, 1963). Quarterly reports refers to the quarter reported activity, containing also the analysis of the pooled results

from the beginning. They are not always based on actual inventory and do not contain all the annexes which are found in the report at year end. Annual reports include a larger number of economic and financial indicators, the analysis that follows economic and financial year-end and include, as quarterly reports, basic data of all forms of economic evidence.

During this period, the organization and management of national economic complex and its structures based on the principle of democratic centralism and the scientific process leading to each of decision-making hierarchies, meant an adequate circulation of reporting information. Depending on the main source from which came the relative sizes we can speak of: accounting reports and statistical reports (Petris, 1988).

The accounting statement as a distinct process of accounting method was a work of synthesis which contained, on the one hand, the situation means and sources undertaking at a time (beginning and end), indicators plan and perform and analysis of undertaking financial economic activity for the period to which it relates.

From the point of view of its content, the report represent a uniform system of data, with which it was made a multilateral and overall characterization of the work carried out over a certain period by companies, economic organizations, institutions and which allowed tracking of the breeding socialist extended by industry and the entire national economy (Mărculescu et. al, 1962). Preparation, submission, verification and centralization of accounting reports were made in accordance with regulations.

To fulfill all these duties was necessary to ensure a rational flow of information from subordinate units into superior links. Hierarchically superior authorities base their business decisions on information received and, based on their preparers' synthesis, which characterize phenomena and processes at branch level or the national economy.

Regarding the quarterly and even monthly accounting reports, the forms shall be filled by the same principles and explanatory report - reduced to a quarter activity and with fewer details - be drawn up after the same rules (Stanescu et. al., 1963).

After accounting reports and annual balance sheets were presented to superior organizations, they checked and analysed them. Verification and analysis are taking place within the DGs committees and attendance accounting officer of the company or its replacement.

Therefore, the representation of periodic economic and financial situation and the work carried out by economic units have, we can say, the character of necessity, both at micro and macro level. Accounting had a very complex role, based on the huge number of data they collect and record, applying a suitable method and an appropriate methodology for ordering, processing and selection, and can provide a synthetic designed and fully reflect the situation economic and work of the unit.

Through accounting reports was ensured the situational awareness in our country - economic and financial course in the implementation plan in each of the organizational structures of the national economy, enterprise, the central ministry. Besides these, there were collective interest of working people and their organs and hierarchical management - financing banks, specialized control bodies, local authorities and central synthesis (Petris, 1988).

The reports served to the bank inspection of the business activity. In this regard, banks (National Bank, Investment Bank, Agricultural Bank), based on the reports, controlled the compliance by undertakings with obligations regarding payments to the state budget, how to use credit to finance investment, etc. Also, the reports, centralized by ministries, served to the State Committee on Planning and Central Statistics Department as source of information on the size and distribution of productive forces and results in terms of the entire national economy.

The first annual reports on branches were issued by the Ministry of Finance in 1950, the quarterly ones in 1951 and the monthly ones in the years 1953-1954. The release of the development of the first schemes of reports, they were repeatedly revised and improved, reducing and eliminating a number of forms and helpful situations. The accounting statement includes a set of documents, namely (Lanczos, 1975): balance sheet; Annexes to the balance sheet; explanatory report.

III. FINANCIAL REPORTING FROM 1990 – PRESENT

Since 1990, the reform process has started throughout the economy, covered also accounting. Romania was confronted with the problem of choosing the accounting model that would serve as inspiration. The analysis made adopted the pattern quite similar to that of France, considered closest to the conditions from 90s Romania, namely a large number of small and medium enterprises, lack of financial markets, the need for bank financing. The beginning of accounting reform materialized late 1991 as the Accounting Law no. 82/1991 issued by the Ministry of Finance.

In 1993 was issued the Implementing Regulations of the Accounting Law, which required Romanian companies to apply the law from 1st of April, 1994. In the same time were developed: the general chart of accounts and rules for the use of accounts, the ledgers and models of financial statements, common forms

regarding economic - financial activity and rules for the establishment and use. These regulations followed changing the role of accounting and financial reporting to provide information for the achievement of macroeconomic statistics offer of financial information for different categories of users.

Given Romania's transition to a market economy in the period 1994-2001, all Romanian enterprises began to prepare financial reports in accordance with the Accounting Law no.82 / 1991 and its implementing regulation. The desire to align to the international accounting standards and continue the reform process prompted the development of new models of financial statements.

The transition from the old situation (the reports) to new situations (financial reporting) was conducted in the period after 2000, the Romanian companies are required to prepare financial statements taking into account three criteria: turnover, total assets and number of employees.

Financial reports (statements) are a structured financial representation of the financial position of a company and the transactions made by it. General purpose of financial statements is to provide information about the financial position, performance and cash flows of an enterprise, useful to a wide range of users in economic decisions making (CECCAR, 2004). IAS 1 "Presentation of Financial Statements" is a standard for guiding responsible for the report to reflect the enterprise's activity and responding to the needs of a wide range of users. According to the Order of PFM no. 3055/2009, the annual financial reports present fairly the assets, liabilities, financial position, profit or loss of the entity.

The objective of IAS 1 "Presentation of Financial Statements" is to prescribe the basis for presentation of general financial statements to ensure comparability both with the enterprise's financial statements for previous periods and with the financial statements of other enterprises. Financial reports illustrate the work done by the company at a time and are designed both to internal and external users.

The objective of financial reporting is to provide information about the financial position, performance and changes in financial position to meet the information needs of a wide range of users.

During 2000-2016, economic entities have prepared annual financial reports, which fell under the provisions of Orders of Finance Minister no. 94/2001, no. 306/2002, no. 1752/2005, no. 3055/2009, no. 1802/2014. According to these orders, a complete set of financial reporting includes the following components: balance sheet; profit and loss account; statement of changes in equity; cash flows; accounting policies and explanatory notes to the annual financial statements.

The general framework for preparation and presentation of financial reports requires that the financial position is reflected by the balance sheet, ie its components: assets, liabilities and equity. The balance sheet provides information about the company's ability to evolve future cash flows, future credit needs and the ability to cover debts to creditors, shareholders and other categories.

Profit and loss account shows the items of income and expense that characterize the company's performance. Enterprise performance information is needed to assess potential changes of the economic resources that the company will be able to control the future.

Changes in equity represents the increase or decrease in net assets during the period due to losses and gains capitalized, such as plus / minus values revaluation, exchange rate differences and dividends received are recognized directly as changes in equity along with transactions capital and distributions to owners.

Cash flow statement is presented according to IAS 7 "Statement of Cash Flows" which lays down the information to be presented to users as a basis for evaluation and use of an enterprise's ability to generate cash and cash equivalents (cash on hand, deposits held, financial investments and short-term highly liquid, readily convertible to cash and liquidity at low risk).

The accounting policies establish that enterprises must provide the adopted treatment (basic or alternate) set by the International Accounting Standards and policies that are not mentioned but are used by company's standards. Companies also are encouraged to provide their critical views of management by describing and explaining the main features of the financial performance and financial position and the principal uncertainties they face.

Financial reports of operators who comes under orders, are subject to financial audit, which is carried out by financial auditors, authorized natural or legal persons.

Annual financial reports should provide a true picture of the financial position, performance, change in equity and cash flows of the company for the financial year.

Financial statements with their entire lineup of summary documents is a complex process of aggregation of data in order to build economic and financial indicators on the state heritage and results.

A company which draws up the annual financial statements in accordance with IFRSs is not necessarily obliged to respect their requirements in interim financial reports, although the quality and consistency of information reported will be improved by application of IFRSs, for annual financial statements, as for interim ones. When an interim financial report is prepared on a basis other than on the basis of IFRS, this does not mean that the accounts should not be prepared in accordance with IFRSs.

In Romania, according to accounting rules, compilation, verification and accounting reports of economic centralization is performed at 30.06.N. Financial statements included in the composition of financial results;

Heritage situation; informative data; taxes and other obligations due and payable; payments.

Filing of Financial Statements to local or public finances administrations until the financial statements is required until the date determined by the Minister of Finance (Nastase and Morosan, 2016).

Yet, the rules drawn up for the preparation and presentation of financial statements in our country do not formalizes and leaves open the question of closure of the accounting period under review. Under Article 14 of the Accounting Law no.82 / 1994, the accounting profit or loss are established and monthly highlights.

Monthly determination of accounting and tax profit result raises the question of delimitation of works such calculations specific to accounting: accounting for expenditure incurred during the month and the revenue generated; and the monthly calculation of the depreciation of tangible and intangible assets; calculation and accounting of tax deductible provisions, such as, for example on performance guarantees; accounting for expenditure payment or expenses for which were drawn up documents for employment and payment or whose settlement period is less than a month (this category includes expenditure on allowances for holiday expenses, interest and other expenses).

IV. CONCLUSION

Currently in Romania, the financial position available at interim dates, does not include explanatory notes (Morosan-Danila et. al, 2015). Deviations from accounting principles and change of valuation methods; alternative accounting treatments (effects affected and their value at cost basis of valuation adopted, adjustments made to the application of alternative accounting treatment; influence the outcome, content, scope and manner of application); the amount of interest included in cost of production of fixed assets and assets with long manufacturing cycle are elements which do not find their echo in the interim financial reports.

Regarding interim reporting at June 30, the Ministry of Economy and Finance of Romania comes every year with special regulation to determine the form and conditions to be published in the interim report. There should be understood here that the interim financial report is very special. Contrarily, chosen for the interim report is a restricted pursuing major fiscal interests of the regulator and in a lesser extent the interests of users interested in carrying out an economic and financial analysis of the company.

For fiscal year 2016, the Ministry of Finance issued Order of PFM No. 916/2016, contains two distinct sections governing the procedure of filing semi-annual accounting reports by 30 June 2016; changes in accounting rules adopted by Order no. 1802/2014, during which entities are reclassified in terms of assets, turnover and number of employees or making changes to accounts in accounting accounting category used in production.

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