ADAPTING FINANCIAL REPORTING PRACTICES TO IAS / IFRS

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Abstract
In economic and financial communication, the common language is represented by accounting rules consenting the process of converting operations related to economic developments in figures (the position of the one who prepares financial reports) and a process of conversion of figures in economic transactions (situation of using financial statements). Therefore it occurs the necessary accounting normalization process, involving a complex of rules set to uniform criteria which are based on the representation and interpretation of the values of the financial reports. These rules, whether general or specific, or may derive from accounting practice can be established through legislation. The paper is presenting the harmonisation process of the national accountings to the international standards, as IAS and IFRS.

Key words: *Financial reporting, accounting, International Accounting Standards, International Financial Reporting Standards.*

JEL Classification: *M40*

I. INTRODUCTION

The accounting system consists of various subsystems (regulation subsystem, professional organizations subsystem, of the enterprise, of accounting practices) arising from the accounting system. Some authors limit the accounting systems to financial reporting practices of all enterprises in a particular country or the financial reporting practices of listed companies in the country or even a group of countries (Morosan-Danila et. al., 2015).

Given that the financial statements have a different format from country to country, depending on legislation, economic and political situation and, not least, the culture of carrying each country, the paper envisages further firstly, presentation of aspects of the content of the report in accordance with IFRSs and, in the alternative report format has been analysed from different countries. Figure 1 presents the objectives of the financial reporting, in order to understand the same necessity of accounting normalization and adaptation of the reporting statements to IAS and IFRS for all countries operating in international markets.

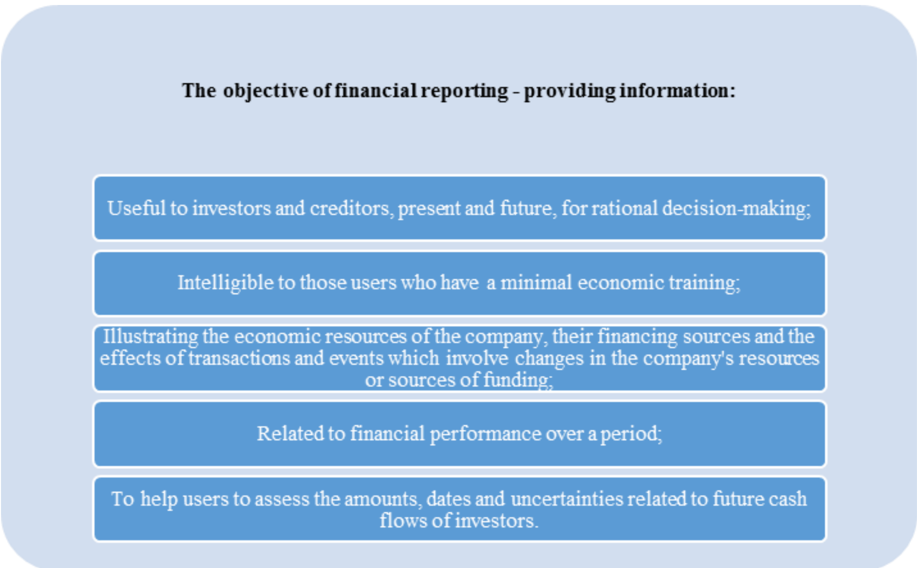

Figure 1 – The objectives of financial reporting

Concern for financial reporting analysis was generated by the importance that must grant each of us, undertaking this strategic sources of information. Thus, we conducted an exploratory research concerning the national, European and international lows on accounting reporting, its necessity, norms, principles and applicability.

II. FINANCIAL REPORTING STANDARDS

The first case of "accounting practices normalization" is specific Anglo-Saxon countries: it is devoid of normative reference systems, being influenced by operational practice. The accounting rules that define procedures for recording and economic valuation arise from best practice fully recognized by professional accountants, professional bodies, coming encoded by authoritarian compliance with the best financial and economic doctrines (Dumitrescu, 2008).

An example of generally accepted accounting principles are those that meet the American reality - encoded by the FASB (Financial Accounting Standards Boards), issued by entities and associations as AICPA (American Institute of Certified Public Accounting). Such principles are applied by an accredited recognition from professional accountants and by a continuous assessment of their validity in relation to specific issues arising continuously, showing a high flexibility (Megan et al., 2002).

In the second case, we speaks of "regulated / legal accounting normalization" - characteristic to Romania, where the legislature has the duty to develop accounting rules of a general nature to define the minimum aspects of economic and financial communication. Drafting is present interim financial reports by a set of rules and refers only to the "normalization" schemes and interim financial reporting structures or values presented in financial reports.

This entails a reduction in the flexibility of such a system of accounting regulation, which evades the possibility to withstand rapid changes that may occur the need to solve new accounting problems, questioning the role of the Romanian statutory accounting legislator. We consider that it is a quite technical matter, pragmatic and extremely complex (writing and drafting financial reports). In addition, the lack of clarity and interpretable nature of regulations are factors that facilitate the phenomenon of bureaucracy and corruption (Nastase and Morosan-Danila, 2016).

Qualitative characteristics of accounting information take into account the accounting systems in which the company operates. In the USA and Anglo-Saxon countries, the qualitative characteristics of accounting information are presented explicitly through official documents:

- FASB developed in 1980 the rule SFAC 2, which contains the qualitative characteristics of accounting information;
- IASB published in 1989, in its conceptual framework, the qualitative characteristics of financial statements and conditions to be met to obtain a quality information;
- ASB (Accounting Standards Board, the body British normalization) published in 1991 qualities financial information.

Level of enforcement of international accounting standards are:

• A base for accounting framework in many countries;

• A reference point for developing their own standards (most developed countries and the growing number of developing countries and countries with economies in transition);

• The stock exchanges and regulators require or permit companies to provide consolidated financial statements in accordance with IFRS (including nearly all exchanges brands in the world: New York Stock Exchange, NASDAQ, London, Tokyo and Frankfurt stock exchanges - about 70 stock exchanges from 50 countries);

• Supranational organizations such as the European Union, expressed support for the IASB and about the possibility of their use for companies listed on international financial markets. Some organizations use IFRS in preparing financial statements (European Bank for Reconstruction and Development, the International Organization of Securities Commissions, the International Olympic Committee, OECD, World Bank);

• Companies themselves - according to official information, the IASB is currently recording about 890 companies that publish financial statements in accordance with IFRS, as confirmed by an audit report. These giants like Microsoft, Nestle, Allianz, ENI, Nokia, Air France, Renault, Deutsche Bank, Olivetti, Roche, Fiat, Volkswagen, Lufthansa, Adidas, etc.

As a result, we believe as qualitative characteristics of the accounting information the following elements:

- The importance of cost-benefit ratio, i.e. the expenditure on promoting the company's image will need in the future to benefit, so be amortized;
- The information must be understandable (easily understood by the majority of people);
- Usefulness of the information is translated by relevance (predictive value and retrospective), and reliability (neutral, verifiable, accurate);
- Information should be compared between financial years;
- Significant items should be presented separately in the financial statements.

So far each country presents a diverse system of accounting rules by institutional factors, characterizing economic and cultural context. We know that there are states that have accounting systems of type “common law”, the accounting systems are by nature pragmatic, less codified and flexible and countries with an accounting system of type “civil law”, the accounting systems are based on coded and superior rules. However, in the accounting system are reflected also various economic-financial systems, business or management types, the role assumed by tax standards, as well as socio-cultural factors, training level of investor, the influence of accounting principles, the attitude towards compliance with rules in force.

In some countries, IASB accounting standards are taken as the basis for building a comprehensive system of national accounting or with minor modifications. This is valid for developing countries or “newly industrialized countries” such as Malaysia, Pakistan, Uruguay, Thailand, etc. Use of international approach in formation of accounting and reporting frame of data by the interested states in the inflow of capital, attracted the attention of investors to the maximum adaptation of accounting systems to international standards. Table 1 presents some accounting models applied by different countries worldwide.

Table 1. Accounting models

Accounting model	The developer country	The idea of the model	The country applying the model
Anglo - American - Dutch	UK, US, Netherlands	Representations of accounting information to meet the requirements of private investors, capital market-oriented. Missing the legislative regulation of accounting; use standards developed by professional accountancy organizations; flexible accounting system; high educational level of both accountants and accounting information and users alike.	Australia, Bahamas, Barbados, Bermuda, the UK, Venezuela, Ghana, India, Israel, Canada, USA, Philippines, Jamaica and others.
Continental	Continental European countries and Japan	Legislative regulation of accounting, focus on the needs of the state (taxation and macroeconomic management), and accounting practices are conservative. Attracting investment is carried out with the participation of banks, so that the financial statements are not designed for them and for participants in the securities market.	Algeria, Austria, Belgium, Guinea, Greece, Norway, Portugal, France, Germany, Switzerland, Sweden, Japan, Russia
South America	Argentina, Brazil and others	Focusing on the needs of agencies of state planning, including control over the implementation of fiscal policy and adjustment of accounting under inflationist trends, it is necessary to ensure the reliability of financial information today (especially as regards long-term assets).	Argentina, Bolivia, Brazil, Guyana, Peru, Chile, Ecuador
Islamic	Muslim countries	Using the market prices to estimate the balance sheet items; The model is built on religious principles, which states that the company's activities should be organized not for profit itself.	Muslim countries
International	Countries with major stock exchanges: London, New York, Tokyo, etc.	This implies annual financial statements in accordance with IFRS.	In the future, all countries

For similar reasons, the former socialist countries (like Albania, Poland), in order to accelerate the transition to a market model of economic development, have adopted IAS to create their own national standards, which are based largely on international ones.

The impact of IAS accounting systems of the developed capitalist countries is much lower. This is due to the fact that most industrialized countries have developed their own traditions and principles of accounting, established to meet the specific requirements of the national market models. For example, in Western Europe and Japan, the main financial flows and investment of the economy is the banking sector, rather than through stock exchanges. Therefore, the accountant legislative priority to protect the interests of creditors and does not meet the information needs of shareholders.

However, with the development and globalization of regulatory agencies in these countries, we should take into account the interests of large national and multinational companies, whose growth is increasingly dependent on the state of world financial markets. Accounting legislation thus becomes inevitably more open to the influence of Anglo-Saxon. Thus, in France, in the preparation of consolidated accounts, national and transnational companies have the right to deviate from the Commercial Code to be guided by national and international accounting principles. In Italy, the law regulating stock exchanges requires companies listed on the stock exchange listing and participation (share prices) and apply international standards to reflect the operations not provided by Italian law.

IAS is used less in the United States, Canada and Great Britain, because of their national standards which contain a large number of ideas of international standards (Galuzina, 2006). However, there is the preparation of new standards. Thus, the conceptual basis of IAS led to the subsequent editions of Fundamentals of Accounting, issued by the UK Accounting Standards.

Heterogeneity of the existing accounting systems generated an obstacle to achieving a system of internal control or audit homogeneous European context. This final aspect has become increasingly important with the globalization of markets, companies requiring common auditing and control systems, systems that have evolved and will continue to evolve with accounting principles, whatever their country of affiliation.

Given the fact that the financial statements have a different format from country to country, depending on legislation, economic and political situation and, not least, the culture of carrying each country was envisaged further firstly, presentation aspects of the content of the interim report in accordance with IFRSs and, in the alternative report format has been analysed from different countries.

IAS 34 adopted the concept of comparative reporting, which is generally known to be more useful than disclosure for a single period. This view is consistent with the position adopted worldwide for several decades by the accounting profession, even if not a requirement, reporting comparative absolutely mandatory in some jurisdictions (eg. United States).

III. CONCLUSION

According to International Accounting Standards Board (IASB), the financial reports are structured financial representation of the financial position of a company and its transactions and aims to provide information about the financial position, performance and changes in financial position of an enterprise, to a wide variety of users (Melville, 2009). They represent classification and synthesizing of a plurality of financial transactions, some of them extremely complex. The financial statements are the main component of financial statements.

Information needed both for managers and others may be available through the accounting process, a process that identifies, measures and communicates the economic information in order to enable users to take decisions and make correct judgments.

In French literature, the financial statements, retrieved as synthesis accounting records, are defined as periodic statements outlining the state and results of the company.

The general framework for the preparation and presentation of financial statements (IASB) states that the financial statements is part of the financial reporting process and include balance sheet, income statement, statement of changes in equity, cash flow statement / treasury, accounting policies and notes explanatory.

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