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ANALYSIS OF THE ACCOUNTING SYSTEMS FROM ROMANIA AND MOLDOVA

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Abstract:
Over the centuries, different countries have met their accounting systems adjusted to the economic, social and political. However, at the end of the twentieth century, it was possible to distinguish several "families" of accounting, without the researchers to reach agreement on a definitive classification of accounting systems practiced in the world. The diversity of national accounting systems put, obviously, some problems. It is, indeed, difficult to compare the financial statements of companies in different countries, which apply their national rules.
With the interconnection of national economies and the growth of large financial markets at the end of the last century, these issues have gained greater acuity. It is necessary that investors can compare financial performance of firms of different nationalities. This article is trying to present and analyse the accounting systems of two neighbour countries, Romania and Moldova, in order to understand the possibility of a multinational investment.

Key words: Accounting system, investment, IAS/IFRS, national standards

JEL classification: M41

1. 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. Roberts (1995) shows that it is possible for a country to have more accounting systems: one for listed companies, one for unlisted companies. Expanding the use of IFRS is an argument to the accounting system of listed companies in the EU.

The accounting must respond to the changing needs of the society and reflect the economic, legal, cultural, social or political where they work.

In such conditions, it was agreed the proximity of accounting practices in different countries, without their national referential to disappear tomorrow.

2. ACCOUNTING HARMONIZATION

Europe in transformation, specifically the European Economic Community, was the first to perceive this need of approach and was released, in 1970, based on accounting harmonization of the states that compose it. It was not about standardizing practices, but to bring them closer. The harmonization was achieved through "directives". A "directive" is applicable in a state when introduces its content into their system of accounting law, within a period fixed by the "Directive" itself.

Two "directives" had a strong impact on the regulation and accounting practices of Member States: "Directive IV" and "Directive VII".

Published in 1978, Directive IV aimed to develop the content and presentation of the annual accounts of capital companies.

Published in 1983, Directive VII regulated the issues of consolidation, especially for listed companies, which requires the consolidation from 1990.

In order to simplify the reporting requirements for SMEs, the European Commission launched a review process of the European Accounting Directives (Directive IV and Directive VII) in order to adopt a new Directive in order to replace them.

Harmonization by "directives" has given significant results, contributing to the modernization of European businesses' accounting and to an approximation of their practices.

According to the arguments set out by the European Commission in the preamble of the proposal [1], the main objectives were to reduce administrative costs for reporting, especially for SMEs, to increase the comparability of financial statements of entities that carry out international activities and have a larger number of external users, to protection of investor' interests by withholding essential information for them, and to increase transparency on payments made to government entities, active in the extractive industry or the logging of primary forests. New Accounting Directive must be transposed into national legislation of Romania until 20 July 2015.

3. NORMALIZATION PROCESS AND PECULIARITIES OF ACCOUNTING SYSTEMS IN VARIOUS COUNTRIES

In Romania, the accounting reform has materialised, after 1989, in several stages. The first step is to adopt a set of accounting rules came into force on 01.01.1994. It is the first version of the Accounting Law no. 82/1991 and GD 704/1993 for approving the Regulation for its application. This initial set of rules adapted the situation of Romania to the European Directive IV, on a French branch.

In 1994, the French accounting system was introduced based on the Chart of Accounts.

This phase lasted until 1999, obviously with many changes, especially regarding tax matters. Specifically, the Romanian accounting referential resulted, in this stage, in "accounting system of companies".

Phase II - Romanian accounting harmonization with international accounting standards: IAS / IFR developed by the IASB and the European Directive IV.

In 2001, the Ministry of Finance issues Order no. 94/2001 for the approval of accounting regulations harmonized with Directive IV of the European Economic Community and the International Accounting Standards published in the Official Gazette no. 85 / 20.02.2001.

Subsequently, according to Order no. 907/2005, since fiscal year 2006, legal entities referred to in art. 1 para. (1) of the Accounting Law no. 2005 82/1991, apply accounting regulations compliant with European directives. We believe that phase III begins with this act.

Currently, Order no. 1802/2014 is the basic regulation for all firms.

Current accounting system of the Republic of Moldova entered into force on 1 January 1998 in accordance with the Government's decision on the accounting reform.

Currently, Moldova is ahead of other CIS countries in the development of accounting. The activities of the Association of Professional Accountants and Auditors of the Republic of Moldova, it became the first country-associative member of the International Federation of Accountants (IFAC), located in New York. This system is based on International Standards of Accounting (IAS) and reflects on all economic operators (including foreign companies) operating in the country, regardless of their field of activity, type of ownership and organizational form.

Practical implementation in Moldova of the System of National Accounts, based on the methodology of System of National Accounts of the United Nations, version 1993 (SNA, UN-1993), was produced in 1995 with their calculations in retrospect since 1993. [2]

National Accounting Standards (NAS) were developed based on International Accounting Standards (IAS), mostly in the period 1996-1998, but they are mostly incomplete and outdated compared to IFRS (incorporating itself and IAS). Accordingly, it requires streamlining the standards development process, to allow the prompt adoption of the numerous existing IAS that are not yet reflected in NAS. National Auditing Standards have been developed recently and reflect IAS.

Annually, the System of National Accounts presented by accounts of: goods and services, manufacturing, mining, primary, secondary distribution and use of income, redistribution of income in kind, available disposable income and adjusted capital. Accounts are elaborated totally on economy, economic activities and institutional sectors.

National Accounting Standards (NAS) are still in transition to the International Financial Reporting Standards (IFRS). They have not been updated since 1998 and do not incorporate 15 of the current IFRS / IAS standards and, therefore, the information in the NAS tends to be incomplete, if not inaccurate.

Table 1. Legal framework regarding accounting

ROMANIA	REPUBLIC OF MOLDOVA
At national level, accounting regulations form national accounting law that include: • Laws issued by Parliament (ex. The Companies Law no.31 / 1990, republished, Accounting Law no. 82/1991, republished); • Judgments and orders issued by the Government; • Orders of the Minister of Finance, the central bank governor and other central institutions on financial and accounting; • Regulations of professional character issued by CECCAR and CAFR (Chamber of Financial Auditors in Romania). We add to this the accounting doctrine represented by courts' judgment (in Romania are not considered sources of law) and the opinions expressed by various authors in literature.	Legislative and regulatory framework of the current accounting system includes the following main components: • Accounting Law from 2007, as amended; • The conceptual framework for the preparation and presentation of financial statements, approved by Minister of Finance no. 174 from 25 December 1997; • International Financial Reporting Standards (IFRS) as issued by the IASB and approved by Minister of Finance no. 109 from 19 December 2008; • National Accounting Standards (NAS) issued by the Ministry of Finance, modified; • Comments regarding NAS application, issued by the Ministry of Finance, as amended; • Chart of Accounts issued by the Ministry of Finance and the National Bank of Moldova; • Regulations, provisions, instructions and other documents approved by the bodies responsible for regulating the accounting sector.

In Romania, both sources of law arise from the rules and regulations of normalizing bodies, also the regulations of professional nature issued by professional organizations in the field of accounting and auditing. In Moldova, however, the influence of professional bodies are less conspicuous, the state is the one that governs the accounting system through the Ministry of Finance (accounting law, the general conceptual framework of accounting, NAS, charts of accounts).

Table 2. Regulatory bodies regarding accounting

ROMANIA	REPUBLIC OF MOLDOVA
Accounting normalization is in the responsibility of the Directorate of Accounting Regulations of the Ministry of Finance. In 1992, was established the Consultative Accounting College (CCC) in order to mitigate the public nature of normalization. In 2004, the most important task allotted to the College was to develop and monitor the implementation of the Action Plan in the country in accounting and auditing, based on the Report regarding Observance of Standards and Norms (ROSC) drawn up in May 2003 by the World Bank. In 2005, according to GD no. 401/2005 was decided, the establishment of the Council of Accounting and Financial Reporting (CCRF) by reorganizing the Consultative College of Accounting. CCRF is an independent body without legal	Currently, the regulation and monitoring of financial reporting and auditing is the State's competence. Ministry of Finance is the main regulatory body authorized to issue the accounting and audit methodology, National Accounting Standards, plans of accounts, National Auditing Standards, standardized forms for books and financial reports and methodological forms on their implementation. Moldovan Government, in turn, makes decisions on the application of certain regulations (eg. decisions on documents of special status to apply IFRS etc.). Consultative Methodology Council, under the aegis of the Ministry of Finance, was established in order to discuss current issues related to accounting and auditing and to forward appropriate proposals in this area. Moldovan government approves goals

personality that works besides MPF, whose purpose is "to ensure supervision convergence of national rules and practices in financial accounting and auditing regulations applicable in the European Union [...] and increase users' confidence regarding information in financial reporting and corporate governance. [3] What is interesting to note, is that the CCRF is managed by a superior board consisting of one representative of the main institutions with regulatory powers in accounting and financial auditing involved in implementing the Action Plan on improving the quality of financial reporting in the country (MPF, NBR, NSC, CAFR, CECCAR, Insurance Supervisory Commission, Ministry of Justice) and one representative from academia and business.	and the composition of this Council. National Bank of Moldova develops banking regulations related to banking industry, not specifically related to accounting but influencing financial statements (requirements the quality of capital, restrictions on loans, etc.). National Commission of Financial Market (NCFM) establishes requirements in addition to generally accepted principles (NAS) and IFRS standards for listed companies and professional participants in financial markets, such as investment funds and insurance companies. These conditions include, for example, specialized reporting rules. National Bureau of Statistics and the Ministry of Finance develops and approves all legal documents and methods for their implementation.

In Moldova, regulation and supervision of financial reporting and auditing is governed by the State (Ministry of Finance, the Supervisory Board and the Audit Consultative Council operating under its aegis), Licensing Chamber, the National Bank of Moldova (with additional requirements for financial institutions), the National Commission of Financial Market (additional requirements for professional participants of financial markets) and Information Service of Financial Statements attached to the National Bureau of Statistics. Thus, we see that in Moldova are normalizing public bodies compared with those of Romania.

Table 3. The accounting profession

ROMANIA	REPUBLIC OF MOLDOVA
As regards the accounting profession in Romania, in 1994, was established the Body of Chartered and Certified Accountants (CECCAR) with the motto "science, independence, morality".	In Moldova, there are three associations that share its objectives, but cooperate very low: the Association of Professional Accountants and Auditors (ACAP), Association of Auditors and Audit Firms in Moldova (AFAM), and Association of Auditors and Management Consultants (EcoFin-Consult). ACAP's mission is to develop the most powerful accounting profession, able to serve the public interest. The main objectives of the Association are to introduce IFAC standards (International Federation of Accountants) and IASB (International Accounting Standards Board) on accounting and auditing and accounting profession development based on international standards, in particular on education, ethics and quality. All three associations are funded by rates paid by members and participants at training courses. Associations are not based on state funding, either from development agencies.

The accountancy profession in Romania is supported by CECCAR, the landmark accounting institution; the accounting profession is called to take part more actively in carrying out economic reforms in Romania, through regulations issued by professional nature. Instead, the accounting profession in Moldova is less cooperative because there are three associations that share its objectives, but cooperates very little: the Association of Professional Accountants and Auditors (ACAP), Association of Auditors and Audit Firms in Moldova (AFAM) and Auditors and Management Consultants Association (EcoFin-Consult). This fragmentation tends to weaken the image of the profession and ability to articulate clear positions to the general public and policy makers face. The accountancy profession cannot start with a dialogue with the Ministry of Finance and regulatory agencies. The profession could benefit in the case of unification efforts and ensure a higher level of cooperation in solving the challenges that face the profession, including those faced by auditors, to the Government, regulatory bodies and other stakeholders. Merging professional associations into a single powerful organ could be considered a medium and long-term goal.

Table 4. The general accounting framework

ROMANIA	REPUBLIC OF MOLDOVA
In Romania's preparation and presentation of financial statements are covered by both the Order no. 1802/2014 for Accounting Regulations compliant with European Directives and the International Accounting Standard IAS 1 - Presentation of Financial Statements. IAS 1 sets out general requirements for the form and content of financial statements, but leaves the possibility of legal frameworks that influence their economic activity. The objective of this standard is to prescribe the basis for presentation of annual financial statements, to ensure comparability both with the financial statements of the economic entity for previous periods and with the financial statements of other entities. Differences between the two referential financial statements relate to the policies of recognition, measurement, de-recognition and presentation of data in financial statements and information to be disclosed compulsory or voluntary.	Accounting Law from 2007 sets the legal framework and regulatory mechanism of accounting and financial reporting in Moldova. Accounting Law from 2007 establishes the fundamental regulations in financial accounting and auditing. The law applies to companies registered under any organizational and legal form, and public and private sector entities. Its main elements are: 1. Detailed accounting requirements (Regulations) for all private entities, individuals and public institutions. 2. Financial reporting for private sector entities dealing with preparation and publication of consolidated and individual financial statements / aggregates. 3. Accounting and Financial Statements of the Treasury and public institutions. 4. Roles and responsibilities of competent authorities responsible for regulation of accounting and financial reports. 5. Requirements set for corporate management (in terms of responsibilities for accounting, financial reporting, internal control and internal audit). Accounting Law presents relatively detailed financial reporting requirements, along with the development of NAS (in accordance with IFRS and relevant EU Directives); development and implementation of National Accounting Standards for Public Sector (SNCSP), based on International Accounting Standards for Public Sector (IPSAS); admission of IFRS in Moldova; DGs regulation of accounting and regulatory authorities; responsibility and entities in terms of accounting; General rules for accounting and accounting elements of the accounting period; requirements related notes and management reports. The law also sets out the requirements concerning the disclosure of financial reports and presenting them at users' demand.

4. CONCLUSIONS

The developed analysis of accounting systems of the two countries Romania and Moldova, we can draw certain conclusions about their specific characteristics and the influence of several important factors such as economic development, the history social and political peculiarities.

From the conducted comparative analysis, we found differences between the accounting systems from Romania and Moldova, deriving from the application of IAS/IFRS (in the case of Romania) and relative compliance with some EU Directives (in the case of Moldova).

An investor located in one of these countries, in order to multiply its investment in the neighbour country, has to make additional efforts regarding the understanding of the financial information, because the reports are different. It may be noted at this level, the Accounting Law from Moldova is compatible, generally, with EU directives and IFRS. Meanwhile, the 2007 Accounting Law contains only general methodological provisions for accounting and financial reporting. The specific procedure for accounting and financial reporting stipulated by the NAS and other regulations. However, the NAS is based on IAS from 1996-1998, they no longer reflect current IFRS and require an update.

National Accounting Standards (NAS) provide guidance on accounting and financial reporting for all economic entities, including those with foreign capital, meaning the majority of reporting entities.

Currently, there are in force 31 NAS and 14 NAS Comments SNC. NAS is based on key International Accounting Standards (IAS) and IFRS. They derive mainly from the editions of period

1993-1998, but subsequent updates. Therefore, they are technically obsolete and to avoid discrepancy between the standards, they must be updated in order to incorporate the relevant developments in IFRS from the date of the last revision.

ENDNOTES

[1] http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2011:0684:FIN:EN:PDF
[2] Brittain G., Şelaru M., *Legislația și politicile contabilității și auditului*, Set of Instructions for harmonization of sectoral legislation, Chisinau, 2010
[3] Vlad M., Boghean F., *The Risk of Fraud Without Implementation of the Pillars of Corporate Governance at the Level of Credit Institutions in Romania*, in Annals of the „Constantin Brâncuşi" University of Târgu Jiu, Economy Series, Issue 1/2013, p. 350

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7. http://eur-lex.europa.eu