

A look upon regulations on the Romanian accounting profession

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Abstract:

Romania passed the last two and a half recent decades through economic, political and social transformations. The accounting profession also had to face every day more and more challenges. Therefore, many changes occurred. We can say today that the accounting profession became an important one. Its mission changed its shape and it has adapted itself to the new conditions.

Keywords: *accounting profession, accounting regulations*

1. ROMANIA FACING SOME MAJOR TRANSFORMATIONS

We all know that each historical period may seem more or less clear and linear. Like the other former communist countries in the south-eastern European territory, our country passed through major transformation in the last more than two decades. We changed our economy and our political system. We also faced some social transformation.

1.1 Synthetic coordinates

We believe that some of all these changes are concerning a large field of interest and we only mention a few of them. Their apparition and action seem to be well known.

In the table below we showed the main dimensions that we identified, as: the way of planning and orienting the economy, the property form, the structure of the national economy and of the trading and monetary international relations, the main characteristics of the credit, the importance of the market or that of the school, the employment level, the main characteristics of the taxation system or of the research activity.

Table 1. CHANGES – SYNTHETIC COORDINATES

Field	Former shape	Present way
1	2	3

Way of economic planning	Central directed	Independent
Property in the economy	Mainly national property on the assets	Increasing of private property
Structure of the national economy	Central coordinated	Free oriented, a minor intervention of the state in order to encourage some economic activities
Position of the market in the economy	Unimportant	Principal adjuster of the economy
International economic relations	Traditional, mainly oriented to the former communist countries and to the Arabian partners	Free and world wide open
Monetary exchange regulations	Fixed exchange rates	Commercial transactions are gradually based on the free exchange rates
The population revenues	Low level	Low level for minimum and medium wage

1	2	3
Interest rate	Low level	Variable level (higher)
Inflation	Reduced	Huge in the '90s, now low
Employment	High level	Diminished level
Prices	Low level, strictly coordinated	High level
Education	Easy access, low costs, a high level of school population	Discontinuous structure – more people that abandon the school, but also a higher number of students

Industrial research	Sufficient financed, central coordinated	Discontinuous and oriented	financed
Technology of information	Simple, as in the rest of the world at the same period of time	In a high speed moving	

(The author's selection)

All this time, all the economic activities had to be quantified. The data had to be reported through financial statements and fiscal situations.

These changes must have influenced both the entire economic and social life, but also the other dimensions of the Romanian society.

1.2 Specific coordinates

We believe also that some of evolutions are strongly connected to the accounting profession and mission, our field of interest, due to their influence upon it.

Like before, we tried to identify them in the table below.

Table 2.CHANGES – SPECIFIC COORDINATES

Field	Past	Today
1	2	3
Companies (ownership)	State-owned cooperative	and Company law, private investment growth
Ownership in the banking system	State	Mixed banking system, gradually privatized
Taxation		
- number of taxes	Reduced	High
- level of taxation	Low (but we must again see the main form of the property, the living standard and the level of wages)	High
- stability / fluctuation	Stabile, manageable	Changing, complicated methodology

EU membership	It was not the case - Romania had only economic cooperation agreements, mainly with neighbour countries, former communist states.	Since 2007 – with impacts on the economic, financial-accounting and fiscal regulations
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1

2

3

Media

Modest, poorly evolved: printing, mail, telegraph, telephone

Fax, mobile, Internet (Internet reduces the transmission time of the information and makes easier the access to the regulations, to the fiscal assistance)

Financial risks

Low level

High level

(The author's selection)

We should expect from now to see also some changes and a few new challenges for our professional coordinates. And so it happened.

2 CHANGES AND CHALLENGES IN REGULATIONS OF THE ACCOUNTING PROFESSION

Before 1989 the accounting profession was identified mainly with the accounting mission.

All tasks of this mission were made by the economists and the other economic employees, medium qualified.

The mission of accounting expertise was accomplished by members of the professional body, which was managed by the Ministry of Justice. Body members were required graduates of specialization Finance – Accounting and had experience and seniority in accounting.

The internal financial control work was performed by qualified personnel employed in the companies.

The external financial and fiscal control was attributed to the specialized employees of the banking system or those of the Ministry of Finance.

The adapting to the new economic realities and the new needs of information and of economic and financial analysis makes natural the occurrence in the early '90s of AGER – General Association of Economists from Romania.

The association aims to defend the economic professions, to discuss the problems of economic theory and practice, issuing specialized publications. [1]

Association helped to diffuse knowledge of economics, accounting, auditing and taxes, all of it being so necessary in the process of adapting to a market economy.

The Ordinance no. 65/1994 regarding the organizing of the accounting expertise activity and chartered accountants establishes the foundation and the activity of CECCAR – the Body of Accounting Experts and Chartered Accountants. [2]

It is also regulating the access to the accounting profession. CECCAR is a member of IFAC – International Federation of Accountants. [3]

Members of CECCAR were authorised to provide accounting services, financial and tax advisory, censorship, accounting expertise, evaluation.

Their field of services today is reduced.

Established in 1992, ANEVAR – National Association (later, Union) of Romanian Valuers, plays now an important role in the professional environment, its members performing valuations of goods or assets and companies. [4]

Technical experts of Ministry of Justice also provide assessment services for the courts.

The Urgency Ordinance no.75/1999 establishes CAFR – Chamber of Financial Auditors of Romania, which organizes and coordinates the activity of financial audit in our country. [5]

CAFR is also a member of IFAC and others professional organizations. [6]

The law 672/2002 regulates the public internal audit, activity performed either by the internal audit services of public entities, or by specialized external providers. [7]

This task was then partially transferred to the CAFR. [8]

2.1 Changes in the regulation of the accounting mission

One of the questions that arise, maybe the first, is *who*?

The mission of the accounting was done strictly by the employees of the enterprises, institutions, banks. They had economic studies at university or at least college level.

To advance the profession (new skills and higher wages) the age and the accounting experience was a prerequisite.

The creation of the first private companies in 1990 generated a significant increase in demand for accounting services.

Adequate staff at that time was often available to provide such services by part time work contracts.

In 1991 appears the Accounting Law, which sets for this field some important coordinates. [9]

Today the administrators of the entities are obliged to organize their accounting and they can choose between:

- to hire qualified personnel in a specialized department;
- to use the external services of a person which is certified or a company which is member of CECCAR.

The second question relates to *what* to do, what does this mission consist in?

The accounting means in the proper sense the chronological and systematic processing of primary records, making the inventory of the assets, liabilities and equity, keeping the accounting records and journal that the law requires, the preparation of the annual financial statements, but it also means to make the required reporting for the fiscal entities: statements, reports.

If before 1989 the calculations on taxes and social contributions were simple, today they became a significant part of the accountant's workload. They have been complicated day by day. Also making the fiscal reports is today harder and more

difficult. The importance of the influence of taxes and fiscal responsibilities on this profession results also from the regulation of the material sanctions in this matter.

We may observe also that the cost of accounting grows by adding more and more fiscal reporting work.

As a consequence, it gradually emerged the tendency of separating the tax component of the accounting profession, so that a part of the chartered accountant tasks migrate to the area of activity that is now reserved to a new specialist - the tax consultant, a profession that recently appeared in Romania.[10]

The other components were: the censorship, balance sheet certification, the financial control, the financial audit. We can see that the range of skills assigned to the accountants is different according to their qualifications – certified accountants have limited powers compared to accounting experts. After the preparing of the annual financial statements, another work comes: somebody checks and certifies the statements before they are released.

The third question is *how*?

The adequate accounting referential for each company or entity is different, according to its type, dimensions and volume of the activity, its range of users of the information that quantifies the financial position and the performance.

The approach of this matter, the selection of the procedures, standards and accounting rules we consider suitable for Romania also changed in this last two decades.

At first we adapted and adopted as they were the French accounting (and financial) regulations in the early of first half of the '90s.

At the middle of the last decade we changed direction toward the international standards. In 2007 we became a member of EU.

As a consequence it seemed adequate the orientation toward the EU Directives destined to set the rules we needed for the fields of accounting and statutory audit.

An emerging activity in the market of accounting services is that of the new foreign companies. Their requirements are tailored to their own special information needs. They have both to accomplish Romanian rules and the regulations accorded to the investor's country.

We will also ask ourselves *by what means?*

The use of computers led to consistent improved quality of the information we can find in the financial statements. It also led to shorten the data processing.

If in the past, before 1989, they used software only for the recording of wages, today the companies benefits of improved software, new data systems, even an integrate accounting technique.[11]

The computer is the always present partner in our work today, shortening the processing and reporting time and increasing the data accuracy.

Maybe not the last question to clarify is that of the liability, of responsibility.

It is better to show the fact that the Romanian accounting regulations led in our day toward an increased responsibility of the accountants for the financial data they include in the financial and fiscal statements.

In the same direction the international standards and regulations moved themselves after the worst financial incident we saw in the world at the end of the last decade.

2.2 Changes in regulations for the other related professions

The financial and accounting control that is performed by people who have not participated in preparing of the financial statements becomes censorship, after that it changes into financial audit and now into statutory audit.

CAFR appearance in 1999 led to the cleavage of the accounting profession, no matter how many of the CAFR members are the same time registered as accountants.

Even if we do not know relevant information on the numbers, we can assume that, at that time, some consistent part of the members of this chamber (CAFR), were also chartered accountants. Take a look at the Figure 1, below, this illustrates the matter:

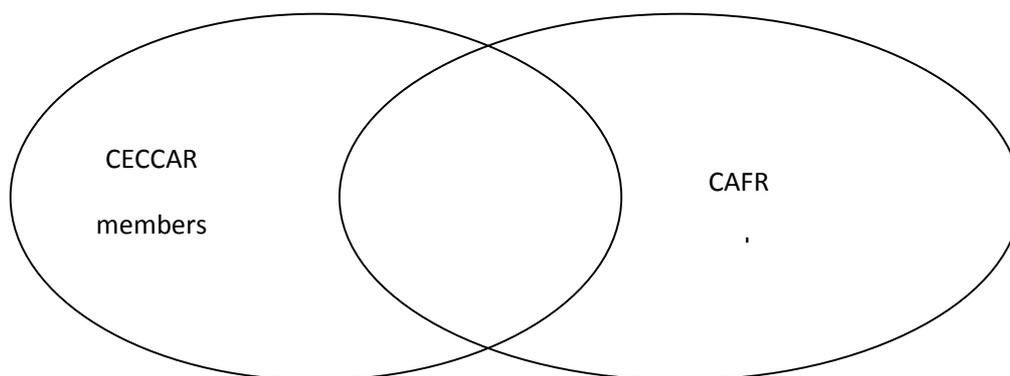


Figure1. Members of professional chambers of CECCAR and CAFR

It could be useful to mention the fact that the same image of a coincidence area as in this figure we should obtain by drawing the picture of domains of skills and tasks that they presume to be appropriate for the members of these two different professional chambers.

Let's see other interesting information: each professional association made its own similar set of accounting and financial regulations, by translation of the international standards for accounting, financial reporting and audit. Also, each of these chambers became an IFAC member.

It is quite funny to observe the importance of the colour they put on the cover of standards and other materials they issue.

Tax consulting work is today organized and gradually separated in the new CCF – Chamber of Fiscal Consultants, according to new regulations. [12] This leads toward a new strange situation, as we show in the Figure 2.

CCF is member of CFE – Confederation Fiscale Europeene. We can still hear until now some voices that require the legitimacy for the access of the accounting experts in this market segment. [13]

On the other hand, it is settled that the accountants can perform fiscal consultancy only if they are registered in the CCF member evidence.

But we still can not deny the necessity for the accountants to have their access at all the newest information upon fiscal regulations, as long as they have to make

financial and fiscal reports. So they need training and have to update their knowledge in this field.

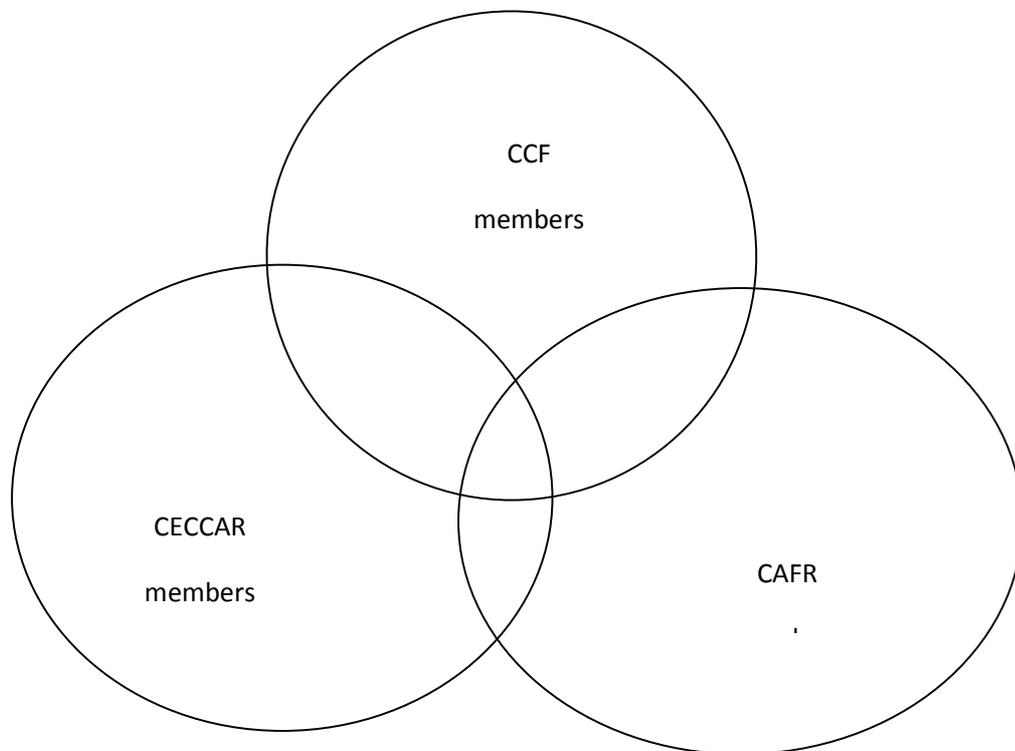


Figure2. Members of chambers of CECCAR, CAFR and CCF

The valuation of enterprises was also unclearly set, so that it was performed simultaneously by the members of ANEVAR and CECCAR. Persons in the first case could make properties or companies assessment. Persons in the second category could mainly do companies assessment. A new field of activity is the valuation of financial assets. This is also a relative new market for the valuers.

In this field they had a similar evolution on what concerns the regulation: European and inter-national valuation standards were translated in Romanian. ANEVAR is member of TEGoVA- The European Group of Valuers Associations, an European association of professional bodies.[14]

ANEVAR has an impressive research activity through IROVAL – the Romanian Valuation Research Institute.

In 2011 it is founded the National Union of Valuers of Romania, a professional organization that will bring together the specialists in valuation from the both associations we mentioned above. This new chamber could clarify at least this area of professional work.

The business and financial advisory work is the least normalized and still generally accessible. It does not require yet an authorization or certification of the specialists who practice it.

Apparently, the only task still reserved to the CECCAR members remains currently the accounting expertise. CECCAR provides an assurance of the quality of this work through the annual selection of the members of the body entitled to offer legal accounting expertise. These seem important works.

An interference zone is also that of the insolvency assistance, were specialists coming from juridical profession and those from accounting profession came together. They could not properly work one without the other.

It is today more necessary than it was a few years ago, to develop another field, the audit of the system and of the software they are used by the companies and the other entities for their financial and accounting activity.

3 Conclusions

We can now see how much this day doesn't look like those in the past. This transformation occurred during a short period, since 1989.

What to do?

What do we have to do?

At first the accounting profession should find its own place after this 20 years long journey. For the accountant, for the economist it is difficult to find a proper orientation.

For us, the Romanians, it could be a peculiar attraction that of the horizontal development.

So we shouldn't be surprised while observing that fact: many of us try, harder and harder to acquire qualifications and to enrol in the different professional associations, organisms and chambers.

This choice could not be the best. It is costly and inefficient.

The others of us prefer to improve themselves in a certain professional direction.

This could be a more appropriate choice because it provides the premise of assuring a high quality services. This would increase customer confidence.

What do they have to do?

The regulation issuers always have a difficult mission.

In our days it is harder and harder also for them. They have to face all new problems of the adapting of our economy to a market based system.

Financial and economic crisis bring new matters. Investors need more financial data, fiscal organisms change their policies and so on.

Many of these problems may be solved. For example, we think that a reasonable measure should be a sole regulation of a professional body for the economic specialists, no matter the mission we refer to.

This would simplify the acquiring of a professional status and should reduce the costs of membership.

At least we should see a better and a simplified structure of the range of competence in professional services.

We do not necessary militate for a forced union of the accounting profession, but rather we want to have a more accurate image upon this matter.

We should like to find a simple way for the registration as a member of a professional organization.

We think that the mutual recognition between the various professional associations of the trainings for specific area should also be improved.

We need to mention that the profession also changes in the rest of the world. It is visible the concerning of all the bodies we mentioned before for improving professional standards.

We have to find an Esperanto, an international language in order to improve our work. The financial data becomes more relevant if we can easy translate it from a language to another

The professional bodies could define general or similar rules for the main accounting policies on assets and liabilities recognition and valuation, for depreciation and for tax calculation.

A nearly similar fiscal policy in the whole Europe or the whole world should also simplify the accounting work.

At school we'd prefer to be able to assure our students that another day they have the chance to apply all the information they found, to use all their skills, without being necessary a daily review of their knowledge.

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