THE IMPLICATIONS OF ECONOMIC GLOBALIZATION ON ACCOUNTING CASE STUDY OF ROMANIA

UDK / UDC: 657.4
JEL klasifikacija / JEL classification: M41
Pregledni rad / Review
Primljeno / Received: 18. studenog 2011. / November 18, 2011
Prihvaćeno za tisk / Accepted for publishing: 13. lipnja 2012. / June 13, 2012

Abstract
The implications of world economies globalization are multiple. In this study we intend to make an assessment of how Romania is involved in this process from the point of view of accounting system. There are two areas of interest: positioning, on the one hand, of the Romanian public accounting system towards the International Public Sector Accounting Standards (IPSAS) and on the other hand, of the accounting profession towards the International Education Standards (IES). Through a positivist research, based on the combination of quantitative and qualitative approach, we analyse two vital elements in the field of accounting internationalization, namely the created legal framework, and the quality of personnel involved.

The usefulness of the study can be appreciated at international level. It is important to know how the emerging countries (including Romania) succeed in acquiring international regulations through direct or indirect taking over, under the circumstances in which the process of harmonization and convergence is of major present interest.

Key words: international regulations, public accounting system, accounting profession, Romania
1. INTRODUCTION

The organization and management of the activity of a public institution should have as a reference point the economic and financial performance, respecting both the communication and transparency standards required by this process. At the international level, from the beginning of the 80s, the governments became overwhelmed by the multitude of changes at financial and organizational level. Therefore, the increasing need for reforming the public system appeared, a need that led the world states to adopt, in the public sector, some accounting and managerial instruments that were widely used in the private sector. Moreover, with the development of capital markets and under the influence of globalisation from the last decades, the creation of a set of international accounting standards for public sector became evident. In this context, IPSAS represents a way of achieving a public reconciliation of accounting systems of the IFAC member states.

Puxty et al. (1987:275) argue that ‘the institutions and processes of accounting regulation in different states cannot be understood independently of the historical and political-economic context of their emergence and development’. In this context, the political, economic, and social changes determined by the integration in the European Union place the Romanian public accounting system, after 2006, in the accrual accounting sphere, giving up to the cash system. One of the changing arguments could be that the accrual accounting offers a better image of the business’s dynamic financial performance than the cash accounting (Collier, 2003:32), being well-known that public institutions are turning into business entities. Such a changing process cannot be achieved without a great support from the legislative system. One of the objectives of this paper is the pursuit of the way in which the characteristics of the new accounting system correspond to the content of the IPSAS referential, whose declared goal is exactly its implementation.

But building a new accounting system essentially depends on the human quality implied in the process and the quality of professional training, which is the second major objective of this study. This has multiple repercussions: with the creation of the new accounting framework, the professional accountant should master both international and national elements typical of the public accounting field in order to achieve an optimal connection between these valences. The implementation of this new framework depends on the degree of training of the implied personnel; the assessment of results and the improvement proposals depend on the general view of the professional reporting to the initially proposed objectives, obtained results, all gone through the filter of efficiency, effectiveness and economy.

Thus, in the circumstances of globalization of economies, the mission of the accounting profession, designed to meet the information needs of users, gets new meaning. Professional reasoning, general view on the accounting profession,
the correlation with international trends in the accounting field, the harmonization, the convergence and the internationalization of accounting systems are values that put their stamp on the status of the professional accountant. The improvement of education through the development and implementation of International Education Standards (IES) lead to a single vision on the issue of educational accounting process, which brings a lot of advantages, such as: quality, transparency, unity, mobility. Tinker (1985) has condemned the accounting education system for creating students who are greyhounds in bookkeeping and ignoramuses in social analysis (see Fisher and Murphy, 1995). These regulations especially refer to Associate Membership that should impose uniform criteria, generally recognized internationally for its members. Such organizations are acknowledged either by legal decree or general consensus as a significant professional body in a jurisdiction, having rigorous qualification programs, and offering a professional designation that enables their members to practice their profession without limitation in the respective jurisdictions.

So as to have a single reporting base for those two categories of international standards, we resort to the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities for valuing the Romanian public accounting system, and to the Framework for International Education Standards for Professional Accountants for valuing the positioning of accounting profession.

The sequence of the main pillars on which the study is built is:

- Description of the stage of development and acceptance of IPSAS referentials at international/national level (section 2.1);
  Description of the way in which Romania through CECCAR (Represents the accounting profession of Romania), member of IFAC is reported to IES (section 2.2);
- Determining, through a qualitative analysis, the level in which Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities, respectively Framework for International Education Standards for Professional Accountants, are found in the Romanian system (section 3,4);
- Final interpretation of results and conclusions (section 4, 5).
2. THE IMPLICATIONS OF INTERNATIONAL STANDARDS ON ROMANIAN PUBLIC ACCOUNTING SYSTEM PRESENTED IN DOUBLE ASPECT – LEGISLATIVE SUPPORT AND HUMAN SUPPORT

The connection between legislative and human support during a transition is essential for the success of transformation process. Dascalu C. et al. (2006:10) states that “the process of Romania’s adhering to the European Union raised some problems for the professional accountant (problems of attitude, reasoning, ethics and strategy)”; it is almost impossible to solve such problems without a legislative stability. The same idea is suggested by Pitulice C. (2007:4) who confirms that all these changes in the public accounting system ”represent an impulse towards professional reasoning”.

2.1. IPSAS Referentials

In the development of the public accounting system after 1989, the year of the Romanian Revolution that marked the end of communism and the beginning of the capitalist era, we can identify at least 3 periods: as a starting point we have the communist system of public accounting which, according to the theoretical and legislative principles, did not finish in 1989, but continued up to 2001; the period between 2002-2005 which marked the beginning of transition in public accounting from the cash basis system to the accrual basis system; the period from 2006 up to now which recognises accrual accounting as the basis upon which the accounting system is organized (Nistor C.S. et al, 2008). In our study we will focus on the period from 2006 up to now. The reason lies in the fact that the year 2006 marks the implementation of the accrual based accounting system in all Romanian public institutions. It is an extraordinary progress for the public sector that follows the global tendency. We can state that even if the course of changes in the Romanian public accounting system was tough and long, the aim is a positive influence on the Romanian public accounting evolution compared to the European and international one, causing a more multifaceted meaning to the role of accounting as a source of information needed by both internal and external users. Determining the degree of superposition between the elements characteristic to the accrual accounting system and IPSAS referentials is key to determining the way in which the oscillations of regulatory accounting framework occurred.

The introduction of accrual accounting internationally is defined by some authors as a reform of financial management and accountability (Scott, McKinnon and Harrison, 2003). Another name was „new public financial management” and was aimed at significant changes concerning the purpose, scale and style of public sector administration and activity (Guthrie et al., 1999 quote by Windels and Christiaens, 2007). The aim was to make financial statements of the government or of a public organization more easily understood and more
extensive through accounting – an important management tool. (Spathis and Ananiadis, 2004). This need for a common language through a unique set of accounting standards was born because of the following reason: the whole international financial community recognizes this need; it is a wish shared by all who prepare, examine or use financial statements; it contributes to the assurance of a common basis for accounting and reporting in all the countries, which generates a better and more efficient financial analysis of entities; it contributes to cost reduction because accountants, auditors, financial analysts, investors, and regulatory organisms do not have to convert and reconcile the financial statements from one set of standards to another.

Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities

This document is the product of the first stage of the development process by IPSASB of the Conceptual framework IPSAS and covers the following: the role and authority of the IPSASB Framework; the objectives of financial reporting; the scope of financial reporting; the qualitative characteristics of information included in general purpose financial reports (GPFRs); and the nature of the reporting entity (IFAC 2010).

The conceptual framework defines the concepts lying at the basis of the financial information regarding the public sector entities which adopt the accrual accounting. The conceptual framework does not define any new obligation on the financial information of public sector entities that do not conform to IPSAS standards and will not rely on existing IPSAS standards.

The objectives of financial information are defined in accordance with the users of financial reports, in general, according to the need of information. The users of these reports can be recipients of services, providers of resources or parts concerning specific services. It appears that in many countries, legislative power is the main user of these reports. The financial information set by a public sector entity must provide to the users the adequate information of the entity. The scope of financial information defines the transactions, other events and activities that can be taken into account in the financial reports. The financial reporting field should be large enough so that the general financial report of an entity should take into consideration the financial or non-financial items in the past, present or future should be understood and should provide financial data. In this context, Napier (2006:3) sums up the relationship between accounting past and present: ‘we cannot gain a full understanding of accounting in its current manifestations without knowing how accounting has come to be what it is’.

Qualitative characteristics of information in financial reports represent the attribute that ensures the interest of users regarding the information in general financial reports and make reference to the objectives defined for financial information. The qualitative characteristics of information provided in the financial reports regarding the general use of public sector entities are: relevance,
reliability, understandability, timeliness, comparability and verifiability. General purpose financial reports are also subject to general constraints of relative importance, the cost and the appropriate balance between qualitative characteristics.

The sampling process of ED Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities ended in April 2010 and the implementation of the entire Conceptual framework will begin on June 30, 2011.

2.2. IES Referentials

From the macroeconomic perspective, it is clear that the ramifications of globalization cannot be ignored, so that in the globalization process was also included the educational field from accounting profession area, starting from the university level to economic development and continuous training of professional accountants. In this respect, the concerns of IFAC had as reference point the completion of the sets of International Standards issued for accounting profession. The International Education Standards (IES 1 - 7), include two educational strategies: the first one (IPD) is related to the prequalification stage of a professional accountant, (IES 1 - 6) starting from the university period and continuing with the probation period necessary for a person to become Chartered Accountant or accountant, and the second one (CPD) is focused on the continuous professional development of accounting professionals, introducing through IES 7 the concept of education on active life in profession.

In Romania, CECCAR as member of IFAC, since 2003, suggested the implementation of the 6 IESs to all accounting universities in the country, and the 7th IES was taken for the professional accountants in „Professional Regulation no. 38 regarding the Continuing Professional Development of professional accountants”(2005).

Framework for International Education Standards for Professional Accountants

The Framework is intended to assist IFAC member bodies, as they have direct or indirect responsibility for the education and development of their members and students. It should also enhance the understanding of the work of the IAESB by a wide range of stakeholders including: universities, employers, and other stakeholders who play a part in the design, delivery, or assessment of education programs for accountants; Regulators who are responsible for monitoring the work of the accounting profession; Government authorities with responsibility for legal and regulatory requirements related to accounting education; Accountants and prospective accountants who undertake their own learning and development and any other parties interested in the work of the IAESB and its approach to developing publications on accounting education (IFAC, 2010).
The intended benefits of the Framework include: the development of IESs that are consistent, because they are based on a common set of concepts relevant to education; a more efficient and effective standard-setting process, because the IAESB debates issues from the same conceptual base; and increased transparency and accountability of the IAESB for its decisions, because the concepts underlying the Board’s decisions are known.

The remaining sections of this Framework are divided in two parts. Part One deals with the educational concepts of (a) competence, (b) initial professional development, (c) continuing professional development, and (d) assessment used by the IAESB when developing IESs. Part Two describes the nature of IESs and related publications, as well as related IFAC member body obligations. Its implementation begins on 31 December 2010.

3. RESEARCH DESIGN

In terms of economic globalization, Romanian accounting system must be permanently anchored in international realities. The national legal framework - support of the adoption of IPSAS, respectively the accounting profession - led by IES regulations must relate to the international trends.

Therefore, the objectives of this study can be structured as follows:

- Analysis of the involvement degree of the provisions of the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities in Romanian accounting regulatory framework;
- Analysis of the way in which the Romanian accounting profession is reported to the Framework for International Education Standards for Professional Accountants.

In order to achieve the proposed objectives we made the following steps:

- Making a content analysis (to see Lye, Perera and Rahman, 2005) resorting to the technique of comparing, sorting and synthesising the provisions of the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities versus the financial statements characteristic to public institutions (financial position statement and financial performance statement) during 2006-present, respectively Framework for International Education Standards for Professional Accountants versus the national regulations in this field, for being able to commensurate the emergence of some accounting items recognized as defining for the accounting system on accrual basis, respectively of some unitary reporting items of accounting profession.
- Giving a score from 0 – 3 depending on the degree of closeness to the basic element, identified as being characteristic to the international standards; namely 0 – elements characteristic to IPSAS/IES do not appear; 1 - signifies the interpolation of some elements characteristic to
IPSAS/IES but in an incipient form; 2 – signifies the interpolation of some elements characteristic to IPSAS/IES, in an advanced form; 3 - signifies the characteristics of IPSAS/IES.

- In order to be able to measure the degree of closeness between the national regulations and the provisions of international referential, with reference to the identified elements grouped as being of content (data analysis), we used One Sample T Test (SPSS version 16). This test is a procedure through which it is tested whether the average of a variable is equal to a specified constant. The specified constant is 3, meaning the codification of an ideal period when there were only elements characteristic to IPSAS/IES.

The method of scientific research in this paper approaches multiple spheres. The profound study of the knowledge continues by using the retrospective method imposed by the standard research and the prospective method asked by the empirical research. Among the social sciences methods used in this approach we can mention: the documents analysis, the comparative method and the observation method.

4. RESULTS AND DISCUSSIONS

The content analysis of Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities (CF/IPSAS), respectively Framework for International Education Standards for Professional Accountants (CF/IES) is summarized as follows:

<table>
<thead>
<tr>
<th>Content elements (CF/IPSAS)</th>
<th>Score</th>
<th>Content elements (CF/IES)</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrual basis</td>
<td>3</td>
<td>IES 1-6 in university curricula</td>
<td>0^6</td>
</tr>
<tr>
<td>Qualitative Characteristics of information</td>
<td>2^1</td>
<td>IES 7 in national rules/regulations</td>
<td>2^7</td>
</tr>
<tr>
<td>Accounting information users</td>
<td>2^2</td>
<td>Professional reasoning</td>
<td>1^8</td>
</tr>
<tr>
<td>Defining of reporting entity (public institutions)</td>
<td>3</td>
<td>Parent body of accounting profession – member of IFAC</td>
<td>3</td>
</tr>
<tr>
<td>Objectives of financial reporting</td>
<td>2^3</td>
<td>International Education Practice Statements / International Education Information Papers</td>
<td>0^9</td>
</tr>
</tbody>
</table>

The database obtained through the quantification of the degree of closeness between national standards and international ones (2006 - present)
Scope of financial reporting
Defining of accountability for public sector

Processing after Nistor et al., 2010

Notes:
1 According to Romanian national standards (NN), the qualitative characteristics are: intelligibility, relevance, credibility și comparability. According to CF/IPSAS these are: relevance, faithful representation; understandability; timeliness; comparability; and verifiability (including supportability).
2 According to Romanian national standards (NN), the category of users is generally described, while CF/IPSAS customize for public sector (recipients of services or their representatives; providers of resources or their representatives; and other parties, including special interest groups and their representatives).
3 CF/IPSAS include towards NN the clear mention „making resource allocation, political and social decisions”.
4 CF/IPSAS include towards NN the role of financial statements in valuation of entity performance in terms of services costs, efficiency and achievements.
5 It is not found in national standards;
6 There is no requirement to include provisions of IES in university curricula (only in an advisory capacity)
7 CECCAR’s Superior Council approved the Professional Regulation no. 38 regarding the Continuing Professional Development of members and accountants from the economy, with effect from January 1, 2005, thus moving into practice the International Education Standard no. 7 (IES 7) issued by IFAC. The approved version has not been updated since its issuance.
8 Although CF/IES insist on the fundamental role that it is played by the professional reasoning, the Romanian accounting regulations are relatively rigid concerning the possibility of choosing the professional accountant and are based more on requirements imposed by law.
9 There are not found in Romanian accounting profession standards.

In order to verify if the analyzed period differs significantly from the ideal period, we used One sample T Test. The obtained results are (table 2, 3):

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Std. Error Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006-present</td>
<td>12</td>
<td>1.75</td>
<td>1.138</td>
<td>.329</td>
</tr>
<tr>
<td>IPSAS</td>
<td>12</td>
<td>3.00</td>
<td>.000a</td>
<td>.000</td>
</tr>
</tbody>
</table>

a. t cannot be computed because the standard deviation is 0.
The null hypothesis is rejected, which means that the average value of the variable differs significantly from the tested value 3, meaning that we can say that the period differed significantly from the ideal one, in which there were all the elements characteristic to international standards.

5. CONCLUSIONS

This study is intended to be an impartial analysis of the Romanian public accounting system from the point of view of reporting in relation to the IPSAS, respectively from the point of view of reporting of the accounting profession in relation to the international standards. Romania's increasingly active involvement on the international economic market makes the need for harmonization and convergence to be increasingly higher. The mobility of population to various countries, especially to EU ones, involves the reporting of accounting profession to values unitarily recognized.

Towards this recognized need, the results of this study point out gaps in the Romanian reporting compared to international standards from these two points of view established as objectives: regulatory framework and qualified accounting personnel. The degree of juxtaposition that exists between the elements of content, defined from the point of view of the national regulations reported to IPSAS requirements, shows that the current accrual accounting system of Romanian public institutions only managed to take over elements of pure accrual accounting system, considered by us as being outlined through IPSAS. CECCAR needs to develop a more intense activity in order to promote the recognition of professional studies in the accounting field on the two stages (IPD and CPD) at international level. This can be achieved only through a continuous interest towards international developments. The results of this scientific approach are useful for several categories of users: the standardizers may therefore commensurate the level of connecting the Romanian public accounting system to international standards (IPSAS), the CECCAR whose involvement in the coordination of accounting profession must take into account the requirements in the field, professionals which on the one hand achieve the characteristics of the accounting framework in which they operate and on the other hand the dynamics of the profession.
The originality of the study lies in the presentation of the two fundamental components of an advanced accounting system - legal support and human support, both viewed from the national and international point of view. Also the existence of a current base of comparisons (both international referentials enacted in 2010) is an advantage in valuing the capacity of adaptation of the Romanian accounting system to the international trends in the field and a starting point for national bodies involved in knowing, evaluating and implementing their content.

Through future research, we want to identify the degree of knowledge of the IPSAS/IES content of those involved in the legislative process, respectively by those who put it into practice. With the aim of passing from the declared state of adopting IPSAS to its achievement in being put into practice, we consider that this thing might be relevant and might constitute an explanation for what was proved in the present study.

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POSLJEDICE GOSPODARSKE GLOBALIZACIJE NA RAČUNOVODSTVO STUDIJA SLUČAJA: RUMUNJSKA

Sažetak
Posljedice globalizacije svjetskih gospodarstava su višestruke. U ovom radu nastojimo procijeniti koji je položaj Rumunjske u tom procesu s aspekta računovodstvenog sustava. Dva su područja interesa: s jedne strane, pozicioniranje rumunjskog javnog računoodstvenog sustava u odnosu na Međunarodne računovodstvene standarde u javnom sektoru (IPSAS), a s druge pozicioniranje računovodstvene struke u odnosu na Međunarodne obrazovne standarde (IES). Kroz pozitivistički pristup, koji se temelji na kvantitativnom i kvalitativnom pristupu, analiziramo dva ključna elementa u području internacionalizacije računovodstva: pravni okvir i kvalitetu osoblja. Ova je studija korisna i na međunarodnoj razini. Važno je znati kako rastuća gospodarstva (uključujući i Rumunjsku) uspijevaju usvojiti međunarodne propise izravnim ili neizravnim preuzimanjem u uvjetima u kojima je proces usklađivanja iznimno važan.

Ključne riječi: međunarodni propisi, javni računovodstveni sustav, računovodstvena struka, Rumunjska.

JEL klasifikacija: M41