STUDY CONCERNING THE DIFFERENCES BETWEEN THE FOURTH DIRECTIVE AND ACCOUNTING STANDARDS FROM ROMANIA

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The normative reference for accounting is, in Europe, the 4th Directive on the annual accounts of certain type of companies (78/660/EEC), issued in 1978 and revised in 2003 and 2006 (2006/46/EC). For Romania, integration to the European Union implies the assimilation and the consent of the European lines with respect to different areas. Therefore, the Romanian accounting standards that have been applied since 2006 can be considered to be very close to the spirit of the directive. Yet, we find some differences. The purpose of our study is to find the differences between the Romanian accounting standards and the 4th Directive, in other words, to investigate if the Romanian accounting standards have entirely assimilated the latter or not.

Keywords: the 4th Directive (78/660/EEC), Romanian accounting standards, harmonization, European Union

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INTRODUCTION
In the four decades of existence, European Union undertook considerable steps in realizing the Treaty from Rome stipulations, that set the basis of the partnership, and inscribed as essential aims states’ economic policies’ harmonization, realization of common commercial policies, of agrarian policies and the creation of economic and monetary unity. During its operation, the common market conceived at Rome in 1957 supported cooperation between member states, contributed to a certain work market’s stability and to realization of some notable progress in agrarian, social and security domains.

A special moment in European Union’s development is constituted by creation, at the 1st of January 1993, of The Unique Market, foreseen in The Unique European Act from 1987. After this act’s putting into practice, European Union becomes the most unified market in the world, with favourable effects upon integrated markets’ performances and upon the decision making system.

Once with the settling of The Treaty from Maastricht (November 1993), European Community becomes European Union, the new name being motivated by its orientation towards public and social domains’ integration.

The Treaty has on its view the creation of one space without interior frontiers, by highlighting the economical and social cohesion and the creation of a strong economic and monetary union that should use a unique currency.

On realization chapters the actions promoted on the line of Economic and Monetary Union by settling the Central European Bank and the states’ engagement of answering to adhesion criteria to unique currency may be inscribed.

Fourth Directive of Europe Council coordinates the assembly of member states and in course of adhesion imposed requirements concerning the presentation and content of yearly financial situations and of their rapports, the general principles concerning position and financial performances of an entity, specific evaluation rules of actives and passives and of publication of financial situations.
Therewith, the directive foresees the requirements concerning the statuary audit of yearly financial situations by persons authorised to audit with this purpose, according to European requirements.

**DIFFERENCES BETWEEN THE FOURTH DIRECTIVE AND ROMANIAN ACCOUNTING STANDARDS**

The 4th Directive is based on the 53rd article of The Treaty from Rome, being a compromise of this type of financial reporting legislation and the approach is based on the trusty image concept. This accounting document offers the possibility of choice between more accountant alternatives of solving different problems and offers options to member states in what its application is concerned.

The Directive covers public and private companies in all EU countries. Its articles include those referring to valuation rules, format of published financial statements and disclosure requirements. The fourth Directive’s first draft was published in 1971, before the United Kingdom, Ireland and Denmark had entered the EU in 1973. This initial draft was heavily influenced by German company law. Consequently, valuation rules were conservative, formats were prescribed in rigid detail, and disclosure by notes was very limited.

The influence of the United Kingdom and the Ireland on the Commission, Parliament and Group d’Etudes was such that a much amended draft was issued in 1974. This introduced the concept of the “true and fair view”. Another change by 1974 was that some flexibility of presentation had been introduced. This process continued and, by the promulgation on the final Directive, the “true and fair view” was established as a predominant principle in the preparation of financial statements. In addition, the four principles of the UK’s SAAP 2 (accruals, prudence, consistency and going concern) were made clearer than they had been in the 1974 draft (Nobes, Parker, 2006).

The introduction in national legislations of the 4th Directive content should have been realized by July 1980, but none of the member states succeeded. As example we can mention that Spain and Portugal scarcely had succeeded its adoption in 1989, Italy in 1991 and Sweden in 1995, while Austria and Finland still have to introduce few amendments in order to declare the adoption completed. It can be, even though, asserted that in present this document’s content is included in all member states’ legislations, as well as in other states’ legislations, states that are not members.

European Union’s relations enforcement in adhesion process imposed continuous development of accounting Romanian system, pursuing a better harmonization with European directives settlements.

The adhesion presumed, from an accountant point of view, the introduction in scene of accountant standards formulated and approved by Public Finances Minister Order’s no. 1752/2005, that are considered as being the closest to 4th Directive’s spirit and letter. Although, a series of differences can be observed, some of it dictated only by different expressions of the same basis, others remained from anterior Romanian accounting standards, when the opening towards the international accountant standards left marks.

In what follows, we shall highlight some differences that constitute the punt of the present study.

1. One of the first differences consists in financial information set name that were published yearly by companies. The directive maintains the recognized term of “annual accounts” (comptes annuelle), collocation that crosses the whole history. The English version of directive translates the collocation directly, annual accounts, and not financial statements as the term has been used in international accountancy language. This situation is an expression of conservatory attitude from Continental Europe accounting pole facing the accelerated Anglo-Saxon accountancy vocabulary.

Romania’s accounting standards maintained the old expression “accounting balance” in the harmonization period to European directives of the 90’s, and passed straight to that of “financial
statements‖. This new expression used was the expression of accounting standards harmonized to International Standards of Accounting, published in 1999.

2. Another difference refers to settlements concerning the annual financial statements set constitution. The directive foresees as compulsory elements the balance sheet, profit and loss account and explanatory notes, with the mention that the member states may allow or require other components. Romanian accounting standards oblige certain categories of entities to introduce the financial situations set also the changes in equity statement and the cash-flow statement. It is a consequence of IAS/IFRS application, with the mention that only the entities considered big, that fulfill the conditions of two of the three criteria foreseen by accounting standards have the obligation to prepare it. However, the other categories of entities are encouraged to introduce them too, these components.

3. A difference may be identified in defining and using the basis concepts of accountant vocabulary. Thus, the directive uses concepts of assets, liabilities, financial position, but it does not define it. Romanian standards use the concepts of assets, liabilities and owners’ equity according to IASB preparing and presenting financial statements’ general framework. It may seem as a simple difference, but the appeal of Romanian accountancy to definitions from the General Framework, by reason of the fact that it took part of the accounting standards starting with 1999, produced for some of them, a real professional opening, an open door towards international conceptual framework’s valences.

4. A form difference, but one that contains background aspects, is the one referring to the manner of presenting the elements in balance sheet. Both forms of balance, foreseen by the directive, on the 9th and 10th articles, present the claims concerning unpaired subscribed capital as main element, and its inclusion in claims’ structure, as exception, as alternative presenting form. Romanian accounting standards retained the exception as presenting rule, respectively the presenting of the claims connected to capital at “claim” position.

5. A direct expression of the accepted degree of compromise in the “battle” between conservatism (prudence) and accrual accounting (Nobes, Parker, 2006) is the accountant treatment of developing expenses. The directive frames in the balance pattern the research and developing expenses in the structure of intangible fixed assets, under the reserve of their recognition as actives by national legislation, without defining it. Romanian standards are stricter and use the vocabulary used by IAS 38. Thus, in the structure of intangible fixed assets only the developing expenses can be capitalized, these being generated by research’s results applications or other knowledge, in order to realize new products. Without defining it, it is understand that those research expenses named by research, meaning those that come out, according to IAS 38, from original and planned investigation undertaken with the purpose of knowledge or scientific meanings and new techniques, are deducted on the period cost.

6. Commercial, industrial and intellectual property rights’ treatment are the basis of a new difference. The directive foresees the possibility of registration it as intangible fixed assets, as well as the commercial, industrial and intellectual property rights purchased with onerous title as well as those created by the entity, under the conditions that national legislation allows their presenting as assets. Romanian standards foresee that may be registered in intangible fixed assets’ structure the leasing, patent acts, licences, commercial labels, rights and similar assets that represent contribution, acquisition purchased on other ways, excluding the possibility of registering those created by the entity.

7. Each country’s companies legislation may allow the purchase of own titles, under certain conditions. This situation leads to the need of establishing a corresponding accounting treatment. The directive foresees that if the legislation of a member state allows a society to purchase its own actions, either directly, by means of a person that takes action for herself, but under the society account, the holding of those actions is submitted in any moment to at least the following conditions: a) among the rights associated to the respective actions, the vote right conferred by
the actions detained by society are suspended for all situations; b) if the actions are included in balance actives, in passive balance a reserve with equal value is included, that cannot be distributed. In Romania, Commercial society law allows entities to purchase their own actions in a maximum proportion of 10%, with the mention that if these are inscribed in the active, in the passive should be inscribed a reserve with the same value. From this point of view, the commercial society’s law is in agreement with the directive’s settlements. Romanian accounting standards do not allow the presentation of own actions as balance assets. Thus, nor the owners’ equity elements “Reserves for own actions” was not foreseen. The position “Own actions” figures as subtractive element in owners’ equity structure.

8. A difference that supposes a conceptual approach refers to the explicit set of drafted principles, which should be taken into account when drafting financial statements. Thus, our discussion has on its view two principles of Anglo-Saxon origin, which are not foreseen by the directive: economic substance (substance over form) and the significance threshold principle (materiality). These two principles are explicit drafted in Romanian accounting standards and compulsory for some categories of entities (those who cross the value of two of three criteria foreseen). In this case the inheritance of IAS application is also felt, the prevalence principle making itself felt significantly in accountant treatments applicable to leasing operations.

9. The existence of an alternative evaluation treatment concerning the fixed assets value at the end of the exercise is a necessity dictated by accrual accounting concept’s incidence. The directive foresees that the reserve from the re-evaluation may be capitalized in any moment, integral or partial, with the mentioning of member states’ possibilities of foreseeing rules that should settle the re-evaluation reserve use, under the condition that transfers from re-evaluation reserve to profit and loss account should be done only if the transferred amounts have been registered in profit and loss account as expenses or reflect realised value rises. In Romania there exist standards referring to value difference observed with the re-evaluation, in the societies commercial laws as well. Therefore, this difference is included in reserves, without increasing social capital. Romanian accounting standards foresee an accounting treatment closer to the one mentioned in IAS 16. The surplus from re-evaluation included in reserve may be capitalized by direct transfer to reserves, when this surplus represents a realized gain. By exception, this surplus may be capitalized by the measure of using the respective active, but only at the level of the difference between the calculated amortization calculated on the basis of re-evaluated value and the one calculated on the basis of initial cost.

10. A seemingly harmonization aspect, that is maintained for a long time in Romanian accounting standards, is the one referring to intangible opening balance principle. It is easy to observe that this principle is one of those explicitly drafted as well in the directive’s settlements as in Romanian accounting standards. Even though, the accounting treatment foreseen for errors correction supposes direct violation of this principle, because error correction is made according to reported result. In this case the remnant of international accountant standards applications is felt.

CONCLUSIONS
Without claiming that the subject is overwrought, we presented few of the form and background differences among the 4th directives settlements and the Romanian accounting standards. We consider some of the differences having as cause the anterior application in Romania of some accountant standards harmonized with International Accountancy Standards, their remnant effect being found in present standards. On the other side, we notice the Romanian standards amplitude of using and impose a European accountant language, opened towards value axes of international accounting.
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