CONVERGENCES AND CONTROVERSY ON THE FINANCIAL STATEMENTS

Victor Munteanu[1]
Marilena Zuca[2]
Alice Ţînţă[3]

Abstract

The standardization issue starts with the accounting theories and the interface between them and accounting practices. The plural of accounting theories is explained by the fact that literature defines several theories, which differ both in their content and their origin and genesis[4]*. Although it seems an extravagant expression, the notion of accounting theory underlying the accounting literature, particularly the Anglo-Saxon one and less the Continental one, is true. The accounting theory is described by J. F. Imke*[5] *as an organized group of knowledge, characterized by order, motivations, connections, objectives and methods used in accounting. A classification of accounting theories addresses the following classes: descriptive theories, regulatory theories and explanatory theories.*

Keywords: financial statements, harmonization, convergences. Cod JEL: M41 – Accounting

Introduction

The standardization issue starts with the accounting theories and the interface between them and accounting practices. The plural of *accounting theories* is explained by the fact that literature defines several theories, which differ both in their content and their origin and genesis[6]. Although it seems an extravagant expression, the notion of *accounting theory* underlying the accounting literature, particularly the Anglo-Saxon one and less the Continental one, is true. The accounting theory is described by J. F. Imke[7] as an organized group of knowledge, characterized by order, motivations, connections, objectives and methods used in accounting. A classification of accounting theories addresses the following classes: descriptive theories, regulatory theories and explanatory theories.

Traditionally, the accounting theory was developed to support and standardize accounting practice, providing explanations directed to defining it and served as a force for integration necessary to ensure a system and logic of accounting practice. The practice has evolved to meet company's needs, producing methods and techniques for performance. *The main purpose of the theory has always been to serve the practice, even if sometimes the practice has outpaced theory,* according to the researcher Imke, ideally, a good

---

[1] Ph.D., professor at the Romanian American University, Bucharest, Romania
[2] Ph.D., conf. at the Romanian American University, Bucharest, Romania
[3] Ph.D., lect. at the Romanian American University, Bucharest, Romania
[4] B. Colasse – „*Contabilitate generală*„ , translation Ed. Moldova, Iasi, 1995.
[5] F.J.Imke – „*Relationships in Accounting Theory*„, The Accounting Review, nr.2, 1996
[6] B. Colasse – „*Contabilitate generală*„ , translation Ed. Moldova, Iasi, 1995.
[7] F.J.Imke – „*Relationships in Accounting Theory*„, The Accounting Review, nr.2, 1996

accounting practice can be explained and justified by a good accounting theory, but when the tradition and convenience influence the development of practice more than logic and order, this can lead to bad practice.

If *descriptive theories* relate to the accounting practice's presentation by explaining and applying of fundamental principles, explanatory theories include interpretations of accounting practices, taken as an object of research and theoretization, *regulatory theories* are intended to serve as a guide for accounting practice. Thus, descriptive theories are theories of accounting, the explanatory theories concern accounting and normative theories to support accounting[1] .

Since the late nineteenth century, especially in Anglo-Saxon countries, we can notice an effort to describe accounting, which effort has passed from the principle of double entry to other fundamental principles, which have been defined, but have remained implicit for a long period of time.

This type of theory has been the subject of study of American regulators, who through a specialized body created in 1972 - FASB (Financial Accounting Board Standards) brings a deductive touch of making rules. In this respect, there is a *Conceptual Framework*, viewed as an "accounting theory" that develops in an economic environment where financial markets play an important role concerning business financing and where investors are the main recipients of produced and published accounting information. On the basis of such conceptual framework, accounting standards have begun to appear, which, however, have been filtered through the business environment. The internal validity of such theories lies in the logical consistency between their various elements: between accounting objectives and suggested principles, between principles and Framework's characteristic concepts.

Meanwhile, the concepts of accounting theory and practice of accounting have been separated, and sometimes even have come to be contradictory. The practice has become less dependent on chance and error. The development of accounting theory has reached a stage that allows anticipating the needs arising from practice and, although it has not developed enough to anticipate innovation and changes, we deem it is starting to take on this route.

The contemporary accounting phenomenon consists of features focused on the need for harmonization, convergence, compatibility and uniformity in accounting, which are also objectives of this field, which can be achieved through its normalization.
In the past ten years, due to increasing globalization of business, the need for harmonized and converged accounting, has become compulsory. The globalization's specific terms concerning accounting, are:

1. HARMONIZATION or the agreement between national, European and international in accounting, through limitation of variations between accounting systems.

---

[1] B. Colasse – „*Theories Comptables*„, article published in *Encyclopedie de comptabilite, audit et control du gestion,* Ed. Economica, Paris, 2000.

This term is used especially regarding the alignment of accounting rules in the EU member states, by means of European accounting directives.

2. CONVERGENCE, in other words, orientation toward the same point of certain accounting structures or systems, by eliminating the differences therein. The most famous example is the Convergence Point between US GAAP and IFRS.

3. COMPLIANCE or conformity with something pre-established. The EU is currently discussing the consistent application of IFRS in all Member States. If harmonization and standardization are terms characteristic to accounting harmonization, the compliance concerns standards' applications.

Depending on the application scope, accounting standards may be international, European and national (local GAAP). IFRS is the only set of accounting standards at global level. In terms of implementing method, IFRS may be of interest to (local) national standards under the following circumstances: direct implementation as national standards, national documentary rulemaking source, baseline for harmonization between national and international; implementation as standards for the preparation and presentation of financial statements by listed companies and large multinational companies in the financial markets. Use of IFRS has some advantages: lower costs of the financial statements' preparation, and they earn credibility, auditors should have knowledge of a single system, and companies gain cheap access to capital markets.

The rules of the IASC Foundation stipulate the following among its objectives:

➔ To provide a sole set of high quality standards capable of harmonizing the accounting standards and procedures practiced in various countries. The approach envisaged by IASB concerns the release of standards based on principles which should mainly imply professional reasoning and not of standards based on detailed rules.

➔ To issue standards leading to transparent and comparable financial statements so that both investors and other participants in the capital markets to compare different investment opportunities;

Currently, IFRS experience special dynamics due to both its own development and the emergence of IFRS as variant for international convergence. Therefore, most European countries demand the constant amendment of IFRS whereas no accounting system is perfect and all of them are infinitely variable.

Accounting normalization is the process of harmonizing the preparation and presentation of financial statements, accounting treatments and terminology. It involves the creation of accounting rules and regulations to reach a common point as regards their actions and implementation in order to attain a comparison and interpretation of accounting information.

Accounting is a technique for gathering, processing and interpretation of economic flow information. Being in the service users, it must be neutral to objectively meet the needs of all parties involved in the company's operation and results. Initially, all debts and receivables of the company, what it owed and possessed had to be known and justified[1].

[1] Luca Paciolo – „*Tratat de contabilitate în partidă dublă*„ translation into Romanian, Ed. Junimea, Iași, 1981.

With the increasing number of investors, it was necessary to know to whom belonged each share of the result and to make a periodic inventory, in terms of quantity and value, of company assets by which to calculate the enrichment or increase of business value. Today, the accounting must meet the management needs of the company, taking into account the legal, fiscal, social and economic imperatives.

Most of the information underlying the investment decision at company level is provided by accounting. Thus, accounting has now become the common language of business in international markets. Since the functioning of capital markets at national and even international level is characterized by comparability, it is necessary to provide it in the preparation and presentation of financial-accounting information, with implications in achieving a set of accounting rules or regulations to underpin the preparation of companies' financial statements. This set of rules is intended to provide a common terminology and rules necessary to prepare financial statements whose content should meet the need for comparability. Accounting's normalization at national level has been extrapolated internationally along with the internationalization of capital markets.

A first stage of normalization is described by Prof. Colasse[1] by means of the process of accounting harmonization, which lies in developing accounting standards and practices based on the need for comparability of financial statements by companies from different countries. Harmonization is seen as a modified form of normalization and a first step towards this.

Accounting normalization is designed to deliver comparable accounting standards at international or national or at the level of capital market, aiming to create uniform accounting practices. In general, accounting normalization (standardization) means implementing a limited set of accounting rules (or even a sole standard) applicable to similar situations.

Reality shows us that we should not cling to the strict limitations between regulation and deregulation, namely between the Accounting Plan and the General Framework. We believe that this is not about law enforcement or not, but about creating a technical tool to help the regulator in the development of accounting standards, which should be subsequently enacted by authorities. The accounting framework is nor a rule, neither a standard; it is, in our opinion, the starting point in the development of standards, it is the element which should ensure the rules' coherence and participate in the organization and development of the normative system and in the accomplishment of intelligible, transparent and easily manageable rules.

The convergence project IASB-FASB

For the approximately 250 European companies listed on U.S. stock markets, the cost of reconciliation imposed by the Securities and Exchange Commission between national GAAP and U.S. GAAP means amounts between one million and ten million dollars for the largest companies. Given the acceptance of the IFRS in the European Union,

---

[1] B. Colasse - *„Contabilitate generală„* translation into Romanian, Ed. Moldova, 1995.

European companies listed on U.S. stock markets, European regulators and politicians demand for the reconciliation issue to be revoked as soon as possible. The reluctance of SEC [1] as regards IAS/IFRS concerns their short existence in time as a comprehensive set of high quality standards, with impact on their consistent application and construal. SEC does not expect the achievement of full convergence or a certain degree of convergence before canceling the reconciliation requirement, but the existence of a robust process of convergence.

To overcome this situation, in October 2002, the IASB, the FASB and American regulators signed a memorandum (Norwalk Agreement) undertaking to converge their accounting standards. Under this Agreement, both signatory parties pledged to make every effort to: (a) to make the already existing financial reporting standards fully compatible as soon as possible and (b) to coordinate future programs so that once achieved, compatibility was maintained" (www.fasb.org).

To this scope, two types of projects have been commenced, namely:

- Common projects to update the Conceptual Framework and the standards on company mixes, financial reporting and income acknowledgment;
- The short-term convergence project, aiming at removing differences on short term. The working method for this project consists of choosing one of the treatments existing in the US/GAAP or the IFRS. So far, the two regulators have normalized inventory control, accounting treatment of asset exchange, adjustment of accounting policies, error correction and share result.

Consideration of implementation of the IFRS in the European Union

As required by the IAS l *Presentation of financial statements*, the responsibility for preparing and presenting financial statements belongs to the company's management, through its board of administration, together with other governing body in certain countries. In support of this provision, the same standard adds: "the management should select and apply a company's accounting policies so that financial statements comply with all requirements applicable to each International Accounting Standard and individual interpretations of the Permanent Interpretations Committee. Where no specific requirements are provided, the management should adopt policies to ensure the supply of information by financial statements, which information must be relevant and reliable".

Also, the IFRS 1 *First application of International Financial Reporting Standards* provides that "an entity adopts the IFRS as a basis of accounting, through an explicit and unreserved statement of such financial statements to comply with the IFRS".

At European level, the joint Regulation of the Parliament and Council (EC) no. 1.606/2002 provides the application of the IFRS for the tax years starting with January 1st, 2005 or subsequently, forcing all companies listed on the European markets to submit consolidated financial statements as per the IFRS.

---

[1] E. Tafara, speech at FEE Seminar „*Convergenţă si consecvenţă privind IFRS*„, Buxelles, December 1st, 2005.

The process of endorsement of the IAS/IFRS includes a branch of political nature, subject to the general procedures governing the work of committees in the EU, coupled with a technical branch. Thus, Member States participating in the endorsement of the IAS/IFRS, as represented in the ARC (Accounting Regulatory Committee), body chaired by the Commission, vote on the adoption of standards and make decisions by qualified majority. The decision to adopt an IAS/IFRS is followed by the issuance of the Commission's regulation, thereby ensuring the standard's implementation in the Member States.

From a technical standpoint, the Commission is supported by the EFRAG (*European Financial Reporting Advisory Group*), consisting of representatives of the private sector, namely: the accounting, stock exchanges, financial analysts, as well as from corporations (including credit and insurance institutions). Since June 2001, EFRAG has included TEG (*Technical Expert Group - Accounting Technical Committee*), consisting of experts dealing with the practical aspects of the IAS/IFRS evaluation. Through TEG, EFRAG assesses international financial reporting standards and provides specialized support for the Committee.

Considerations of implementing the IFRS in Romania

The Accounting Development Program in Romania has adopted the solution of mix (hybrid) of the European Accounting Directives and the International Financial Reporting Standards. The adoption of oriented IFRS accounting rules was seen as positive, especially by European and international accounting institutions. In 1999, the then Secretary General of the IASC, Sir Brian Carsberg, congratulated Romania for the strategy chosen in accounting, stressing that entities could assert that their financial statements complied with the IAS only if they complied with all standards and interpretations.

The accounting rules adopted in 2006 by Romania postponed the IFRS' adoption for 2007. The IFRS' adoption in 2005 was circumscribed only to the consolidated financial statements of credit institutions. Our opinion is a correct decision, because the application of IFRS is expensive and Romanian accounting entities cannot enroll immediately in a cost-benefit equation as regards change in accounting.

Since 2006, all accounting entities have been applying accounting regulations harmonized with the European Directives. Romania has implemented two accounting directives before the date set for the accession to the European Union. By Order no. l752/17.11.2005, then replaced by order 3055/2009, the Ministry of Public Finance approved provisions in compliance with the European accounting directives, rules contained in the two annexes of the order: accounting regulations harmonized with the Fourth Directive of the European Economic Communities and Accounting Regulations harmonizes with the Seventh Directive of the European Economic Communities. The said regulations distinguish themselves by conformity up to alignment with the European accounting directives. It is an approach appreciated as positive given that the provisions of the Directive should be implemented in the accounting law of each country that wants to be an EU member, to the extent that a number of general rules remain without concrete answers in terms of accounting policies, compliant regulations acquire and integrate a series of solutions (provisions) from the General IASB Framework and the IFRS Referential. The most typical in this respect is to define and recognize assets and liabilities, revenues and expenditures as per the own and theoretical IFRS Referential.

Regulations issued have to replace the name "*Impairment of Assets*" with "*Adjustments of Assets*". Among other things, adjustment also means correction and is the historical cost corrected by impairment? More details add to this element: (i) the role of the provision for taxes, while deferred taxes are not accepted, especially deferred tax claims, (ii) the position of accounting policies set in a framework of accounting regulations; (iii) the rules governing equity capital, (iv) slight come back to certain definitions and treatments taken from the IFRS, in compliance, of course, with the European directives (v) tax and accounting, (vi) the need for restatement in terms of proper implementation.

The increased dynamics of contemporary accounting requires a new analysis of classifications as follows:

- Primary accounting
- Inflation accounting
- Closing accounting
- Restatement accounting

Given the present status of the adjustments' dynamics, the need for order requires restatement or comparative accounting. It consists of the following:

a. To recognize the assets, liabilities and equity according to the IFRS requirements;
b. To cease recognizing the assets and liabilities which are banned by the IFRS;
c. To reclassify all assets and liabilities according to the IFRS;
d. To reassess or readjust assets, liabilities and equity according to the IFRS where the just value is required to be used.

All differences arising from the recognition, termination of recognition and adjustment to assessment are treated as components of equity; therefore, the restatement may be defined as a reconciliation of equity, profit and loss.

Normalization and regulation concerning financial statements

Depending on the acceptance of accounting rules (required or voluntary)[1], *two forms of the normalization* can be distinguished:

- *Regulated normalization*, where rules are enacted and regulated as legislation, and their use by companies is mandatory; and
- *Professional normalization*, where norms are necessary to issue accounting information and companies adopt them voluntarily.

Regulated normalization can be illustrated by the *rules developed by the European Union*. This normalization process is integrated into the process of harmonizing the legal framework in terms of operation of companies in EU members, as expression of the integrated economic environment. European normalization, started in 1970 has resulted

[1] Mihai Ristea – „*Normalizarea contabilităţii- bază şi alternativ*„, Ed. Tribuna Economică, Bucureşti, 2002.

into a series of directives, *the Fourth Directive* on annual accounts (financial statements) of the trade companies, *the Seventh Directive* on consolidated accounts of groups of companies and *the Eighth Directive*, on the financial statement audit.

*European norms are regulated texts, **mandatory** for the EU states* and their enforcement is made according to each directive's provisions, by their implementation into the accounting law of each state and not by their take-over as legal provisions; they regulate provisions on yearly accounts[1], recognition and assessment of assets, liabilities and equity, expenses and income.

European Directives include a number of alternative options that may be enacted by legislation in each country, which triggers many differences between national rules. In this respect, European normalization, although regulated, is based on different accounting doctrines that have been taken into account in drawing up European standards: the Anglo-Saxon accounting doctrine, which is oriented towards the interests of shareholders, reflecting rather a normalization by the accounting profession and the continental doctrine, based on written law, the Civil Code, which favors the tax interests and bank financing, perfectly illustrating a regulated normalization.

Regulated normalization *is particular especially to countries in continental Europe*. Company accounting policies in these countries are developed within a framework defined by the accounting law and also in terms of financial statements (annual accounts), by tax rules.

A feature of the regulated normalization is the interaction between accounting and tax rules relating to the preparation and presentation of financial statements. It is actually the influence of taxation on accounting rules, illustrated by various forms including: limitation of the permissible methods of assessment (e.g. stock assessment), restrictive definition of the conditions for deductibility of expenses (for example, depreciation and provisions) or the obligation for accounting records that relate only to tax benefits (exceptional depreciation, provisions or regulated reserves)[2]. A result of such tax interference is the discouragement of management in terms of search for methods to improve accounting results.

The reference remains the European normalization through directives and with regard to the financial statements by means of the Fourth Directive. The content of the Fourth Directive may be seen as an accumulation of accounting policies as regards the following:

- structure and content of annual accounts (financial statements);
- assessment procedures;
- publication of annual accounts;

The Directive explains the need for uniform accounting policies for the Member States in the following situations:

---

[1] Name used in European Directives for the set of financial statements

[16] J. F. Casta - „*Politique comptable des entreprises*„, article published in *Encyclopedie de comptabilite, audit et contrate de gestion,* Ed. Economică, 2000

- The activity of the EU companies often extends beyond national borders and all they offer as guarantee for third parties is their share capital;
- The competition between companies may be unfair due to legal conditions favorable to certain activities in some countries;
- To present an accurate image of the company's activity.

Unlike the accounting policies on financial statements specific to the deregulated system, which provides only specific references to the statements' contents, the Fourth Directive stipulates accounting policies both for the structure and contents of financial statements[1]. This is reflected in the mandatory plan for the balance sheet and profit and loss account and in a minimal content of the Annex. All these policies on financial statements prepared in a regulated framework are implemented in each country through a series of regulations which form the regulatory instrument called the *General Accounting Plan*.

The elements normalized by the General Accounting Plan are: financial statements, including their form and format, general plan of accounts (accounts system, name, symbol, content and accounting function of accounts) as well as the organization of accounting documents, procedures in terms of record, validation and control of operations. According to General Accounting Plan, accounting is seen as a system of organizing financial information which allows "the procurement, classification, registration of data and supply, according to chosen treatment, of information that meets the needs of various users[2]". To guarantee quality and reliability of such information, the

Accounting Plan involves:

- To observe certain principles;
- To organize the company based on control and verification procedures;
- To implement methods and procedures;
- To use common terminology.

The general principles grounding the implementation of the PCG are quality principles and they mix in order to illustrate a fair image of the company's position and operations. Quality elements are:

- Prudence – as real basis of facts in order to avoid the risk to further pass along present incertitude as regards assets and liabilities and loss and profit;
- Uniformity – via compliance with existing rules and procedures;
- Faithful implementation of rules and procedures (accuracy) as the expert accountants understand such rules regarding the existence and importance of transactions, events and circumstances;

Concomitantly with the basic accounting principles, general provisions are available concerning the organization of accounting as to allow:

- Entirety, chronological record and preservation of data;
- Availability of basic information and determination in due time of the output's provisional status;
- Control of exactitude of data and treatment procedures.

---

[1] Mihai Ristea - „*Metode şi politici contabile de întreprindere* „, Ed. Tribuna Economică, Bucureşti, 2000.
[2]„ *Guide du responsable comptable et financier*„ , Lamy, 1998.

The organization requires adopting a *Plan of accounts*, choosing accounting *procedures* and *support*. The company's Plan of accounts must be based on the General Plan of accounts and must be sufficiently detailed to allow recording transactions in accordance with accounting rules. Accounting supports are primary documents, accounting records and, in general, everything which allows, according to the written law, the recognition of accounting data.

Summary documents to be used and the data flow in an accounting cycle are described. Accounting methods are means and procedures used by the company to maintain accounts and prepare final statements according to the law.
Despite of doctrinal debates, the idea of accounting normalization through a *National Accounting Plan* is still accepted, because it summarizes a sort of accounting culture[1]. The *French General Accounting Plan* is an example of success, which has exerted a strong influence on international level since it has been taken as reference in the evolution of accounting in some EU countries (Portugal, Spain, Greece), in central and eastern European countries in transition (Bulgaria, Czech Republic, Poland, Romania, Slovakia, Hungary, etc..) in the Africa (Morocco) and Asia (Lebanon, Vietnam, etc.), and as sliding towards the European harmonization, the accounting plan has been, with British doctrines, a referential with high influence in the development of European directives and their perception (such as texts regulated-binding on Member States).

Normalization based on professional rules is specific to Anglo-Saxon countries, and focuses on the contents of financial statements, items described in financial statements, recognition and assessment of items, content of various columns, accounting regulations, standards and procedures relating to the preparation and presentation of financial statements, the order or format of such financial statements not being provided.

The device is of professional normalization is circumscribed to the *Conceptual Accounting Framework*.

Three types of conceptual accounting frameworks emerge out of various accounting systems: the American conceptual framework, the international conceptual framework and the British conceptual framework.

The *American conceptual framework* is the first conceptual framework developed as a result of the normative accounting theory. The framework includes objectives, qualitative characteristics, elements, recognition and measurement of items in financial statements, statement of earnings, fund flows and liquidity. The main component of the conceptual Framework is the *objectives*. They are illustrated by providing useful information for business decisions, reliable information, able to forecast cash flows and relevant information on economic resources, transactions, events and circumstances leading to their changing and arise from the users' need of financial information. Except for such objectives, *qualitative characteristics* are represented by criteria to be used in selecting and assessing accounting and reporting policies, and elements of financial statements

[1] Peter Walton - „*La comptabilite anglo-saxonne*„, La Decouverte, 1996.

which, according to the *SFAC 6 Elements of a company's financial statements*, consist of assets, liabilities, equity, gross profit, income, expenses, gains, losses, contributions and distributions to their shareholders.

The *British conceptual framework* sets out the principles that the ASB (Accounting Standards Board) supports with regard to the following: design, development and review of accounting rules that underpin the preparation and presentation of general financial statements. Emphasis is placed on those financial statements which are required to give an accurate picture of company performance and financial position. The concept of true and fair picture represents the core of the British financial reporting, considered "the ultimate test" (key test) in the financial statements, with direct effect on accounting practices.

The *International accounting framework* also called the *General Framework for the Preparation and Presentation of Financial Statements* includes theoretical concepts and principles that make up the reference system for preparing and presenting financial statements for external users, claimed to be the referential for drawing up accounting procedures and tool of coherence of accounting rules and practice. The aforementioned framework draws its inspiration from the American framework, but it does not address special classes of users as it has its focus on meeting the common needs of most users, to make decision to: "decide when to buy, preserve or sell equity; assess liability or management of leaders; assess securities for loans granted to companies; assess the company's capacity to pay salaries and other benefits; decide on tax policies, profit and dividends to be distributed; draw up and use data on national income; regulate the company's activity[1]". The issue concerning the preparation and presentation of financial statements according to the General IASB Framework is approached by means of the following:

- Goal of financial statements;
- Quality features which establish the usefulness of information from the financial statements;
- To define, recognize and assess items used to draw up financial statements;
- Concepts on equity and maintenance on equity level.

The *General IASB Framework* establishes general guidelines that a company must follow in submitting information on their activity. This framework is complemented by the international standard IAS l "Presentation of Financial Statements", which prevails over the IASB Framework.

According to the *General IASB Framework*, the companies should provide general purpose financial statements, including consolidated financial statements, however special purpose financial statements (statements and other statements prepared for tax purposes), directors' reports, statements of the President, management's discussion and analysis and similar items which could be included in a financial or yearly report are not enclosed in this framework.

[1] IASB, General Framework for the preparation and presentation of financial statements, Foreword

Unlike the regulated accounting system, normalization through the *General IASB Framework* leaves the **manager's professional judgment** to decide on the form of the financial statements, as the framework sets only their contents. This guidance, given by the *Conceptual Framework*, starts with setting the objective of financial statements, namely to provide information about the financial position (economic resources it controls, financial structure, liquidity and solvency of the company and its ability to adapt to environmental change), performance (assessment of adjustments of economic resources and drawing up judgments on the efficient use of new resources) and changes of the financial position (analysis of operating, financing and investment activities) to meet information needs of a broad scope of users.

Given that the main feature is setting out guidelines for the preparation and presentation of financial statements, the *General IASB Framework* does not follow strict and persuasive rules, but features and concepts that underpin this process. Thus, with the overall objective of financial statements, there are outlined qualitative characteristics of financial statements, namely: understandability, relevance, reliability and comparability.

The *framework* sets out items shaped by financial statements, in conjunction with policies on recognition and measurement of those items and does not require formats in this respect. Therefore, there are three types of accounting policies aimed at preparing and presenting financial statements:

- Accounting policies on the structure of financial statements;
- Accounting policies for recognition (accounting) of financial statements' structures, and
- Accounting policies for the assessment of financial statements' structures.

These main categories of accounting policies concerning the preparation of financial statements are set out and detailed via the specifications issued by the General Framework IASB and IAS1.

Conclusion

Typically, an accounting plan does not detail the objectives of accounting and accounting normalization and does not provide who are the users of accounting information and their needs. Noticing these limitations, several authors have submitted to a vehement criticism the normalization via the National Accounting Plan and its theoretical coherence, considering the reality's dynamics. Most of them have called for an accounting normalization based on a normative theory, but constructed on a deductive approach, i.e. a Conceptual Framework that defines accounting objectives and information needs of information users, which theory should underpin the development of accounting rules.

Besides the trend which upholds the idea of dropping out accounting normalization through the Accounting Plan in favor of a Conceptual Accounting Framework, there are supporters of normalization under the form of the General Accounting Plan given that it is deemed "an implicit conceptual framework". Ruling on the theoretical value of the National French Accounting Plan, Professor Bernard Colasse said: "it can be asserted that the General Accounting Plan encloses an incomplete conceptual framework, under ongoing development given some indetermination of the objective undertaken in accounting. (…) The origin of such indetermination resides, beyond doubt, in the institutional status of the General Accounting Plan”. Even B. Colasse, who deems that the French General Accounting Plan is an incomplete conceptual framework, but having certain explicit functions specific to a conceptual framework (such as explanatory function, heuristic function and teaching function), agrees that the accounting plan does not possess the main function of a conceptual framework, as guideline for the accounting regulator. Thus, it is accepted that an accounting plan cannot act as general theory of accounting, namely as a series of coherent principles needed to set out accounting rules.

Reality shows that we should not cling to the strict boundaries between regulation and deregulation, respectively between the Accounting Plan and the General Framework. In our opinion, we do not speak about the law’s enforcement or not, but about developing a technical tool designed to help the regulator in setting out accounting rules, which are eventually enacted by legislative authorities. The accounting framework is neither a rule nor a norm; it is the starting point in the development of rules, it is the item that should ensure the rules’ coherence and participate in the development and improvement of the legal system and in making comprehensible, transparent and easily administered rules.

References:

1. B. Colasse – Contabilitate generală„ , translation Ed. Moldova, Iasi, 1995.
2. Munteanu V. şi colectiv – Contabilitatea financiară a întreprinderilor, Ed. Prouniversitaria, Bucuresti, 2009;
3. Mihai Ristea – Normalizarea contabilităţii - bază şi alternativ, Ed. Tribuna Economică, Bucureşti, 2002.
4. CCE – European Directives IV, VII and VIII;
5. IASB - Standardele Internaţionale de Raportare Financiară, traducere, Ed. CECCAR, Bucureşti, 2009.