NATIONAL AND INTERNATIONAL REGARDING COMPANIES' ACCOUNTING POLICIES

NAŢIONAL ŞI INTERNAŢIONAL PRIVIND POLITICILE CONTABILE DE ÎNTREPRINDERE

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Abstract: *The present paper aims a comparative study regarding the accounting policies in the IFRS standards' view and, also, in Regulation 3055/2009's view. There are taken into consideration several definitions of the accounting policies and emphasized several comparisons between the most important aspects regarding them, seen by IFRS standards and Regulation 3055/2009, such as: defining the accounting policies, selection of the accounting policies and other guidance hierarchy, changes in accounting policies, estimations or prior period adjustments.*

Key words: *accounting policies, Regulation 3055/2009, IFRS standards, financial statements.*

INTRODUCTION

Romania is part of the category of European countries with a dual accounting system that applies both national accounting regulations (Regulation 3055/2009, regulation 2239/2011 Tax Code) and IRFS standards. Romania has taken since 1999, roughly the route of IASB, IRFS standards being applied mainly as a result of compliance with requirements imposed by European Union member countries. In the current context of economies' globalization, the development of information systems in order to harmonize European accounting system at the European Directives and IFRS standards, design and development of accounting policies by each entity becomes a priority issue.

MATERIALS AND METHODS

In order to elaborate this study, there have been used several methods like: comparative analysis, in theory and in practice, synthesis, induction or deduction.

RESULTS AND DISCUTIONS

Accounting policies represent „specific policies and procedures used by a company to prepare its financial statements. These include any methods, measurement systems and procedures for presenting disclosures. Accounting policies differ from accounting principles in that the principles are the rules and the policies are a company's way of adhering to the rules."[27]

Also, accounting policies could be defined as „principles, rules and procedures selected, and consistently followed, by the management of an organization (the accounting entity) in preparing and reporting the financial statements. Accounting policies deal specifically with matters such as consolidation of accounts, depreciation methods, goodwill, inventory pricing, and research and development costs. Accounting policies must be disclosed in the annual financial statements. See also summary of significant accounting policies."[28]

In terms of the Fourth European Department and the IFRS standards, accounting policies for companies include, but they are not limited to the following: stocks and work in progress; depreciation and provisions for risks and charges, contingent assets and liabilities; borrowing costs; government grants; deferred taxes; groups of companies and group accounts; events after the financial exercise closing; accounting errors and changes in accounting policies; evaluation and tangible accounting; restatement of financial statements in hyperinflationary economies; fluctuations in currency exchange rates; investments in real estate.

The management of the company is responsible for the developing and substantiating of the accounting policies. They are "built" by specialists who work in technical and economic knowledge of the work performed and

[27] http://www.investopedia.com/terms/a/accounting-policies.asp#ixzz1lOqNCpUG, 16.02.2012, 10:30.

[28] http://www.businessdictionary.com/definition/accounting-policies.html#ixzz1lOrEZu40, 16.02.2012, 10:45.

the strategy adopted by the entity (economists, engineers, technicians, etc.) In case the company's management has opted for a particular accounting policy, it will be applied in order to result in a financial year to another. Accounting policies may be amended, but the company's management will present it in the notes in order to justify this approach.

Users of financial statements will be informed of: accounting policies adopted by the company's management; own procedures adopted by the entity's administration; changes in accounting policies and the effects of these changes on the financial position, performance and cash flows of the company.

Each entity will have to adopt a manual of procedures for all operations that develops during the financial year. Scheduled procedure will start from the documents and will stop to the final stage of elaborating the financial statements. According to last modified Accounting Law 82/1991, accounting policies and procedures require approval under the law. Accounting policy implementation procedure on a problem (sector), concretely consists of choosing a few options allowed by regulations, in order to justify the chosen method, based on features and enterprise activity accepted as basic bookkeeping and preparing financial reports. When drafting, accounting policies have followed basic accounting concepts and principles.

In what it follows, we are going to present a parallel study regarding several companies' accounting policies, seen by IFRS standards and, also, seen by Romanian Regulation 3055/2009:

Table 1

Accounting policies in the context of IFRS standards and Romanian regulation 3055/2009

Accounting policies, changes, estimates and errors	
IFRS standards	Romanian Regulation 3055/2009
Defining the accounting policies Accounting policies are the principles,	*Defining the accounting policies* The definition of the accounting policies is

bases, conventions, rules and practices applied by an entity in order to elaborate its financial statements. (IASB, point 5)	consistent with that given by IAS8 (5). Definition of accounting policies is found in Regulation 3055/2009 at the 267 point (1). However, also the method of depreciation is considered accounting policy.
Selection of the accounting policies and other guidance hierarchy In order to select accounting policies in the event that IFRS standards does not treat specific transaction, event or condition, the management of the entity must refer and consider applying the following sources in descending order, as provided in IAS8, section 11: the provisions of IFRS standards dealing with similar and related; definitions, recognition criteria and measurement concepts for assets, liabilities, revenues and expenses of the conceptual framework. In the exercise taken into consideration, entity management may consider other entities' latest rules of normalization that use a similar conceptual framework in order to develop accounting standards, other accounting literature and accepted practices of the industry, to the extent that they do not conflict with the sources mentioned in paragraph 11 of IAS 8 (IFRS 8, point 12).	*Selection of the accounting policies and other guidance hierarchy* Regulation 3055/2009 does not contain a hierarchy of other guidelines to be followed when there is no explicit requirement in rational regulation, there are no general exception for significant transactions.
Changes in accounting policies. *The accounting treatment* An entity shall change an accounting policy only if the change: a) is required by IFRS, or results in financial statements providing reliable and more relevant to the exercise of judgment, the entity management may consider the most recent pronouncements of other standardization body that uses a similar conceptual framework in order to develop accounting standards, other accounting documents and accepted	*Changes in accounting policies.* *The accounting treatment* Accounting policy changes may occur in these two situations: 1. The entity decides to change the accounting policy; In this situation, in the notes to financial statements, there is justified the change of accounting policy and its effects (note 6). 2. The regulations imposed by public authorities; In this case, in the notes to the financial statements, accounting policy change is mentioned, without justification.

business practices to the domain, to the extent that they do not conflict with the sources mentioned in paragraph 11 of IAS 8 (IAS8, point 12); b) the effects of transactions, other events or conditions on the financial position, financial performance or cash flows of the entity (IAS8, point 14).	Examples of circumstances justifying modification of accounting policies (Regulation 3055/2009, point 40 (3): - Admission to trading on a regulated market of short-term securities of the entity or withdrawal from trading; - Changing shareholder, due to entry into a group, if new methods ensure the provision of more accurate; - Mergers and assimilation operations effectuate in the carrying amount, in which case it is necessary the acquiring company's accounting policies with those of the company. Example: The initial stock of goods that SC X SRL had on the 1st of December was of 100 kg at the value of 5 lei/kg. In December 2011 took place the following inputs and outputs of goods: - on the 4th of December 2011 200 kilograms of goods were acquired at the cost of 6 lei/kg - on the 10th of December 2011 200 kilograms of goods were sold for the price of 7lei/kg - on the 15th of December 100 kilograms of goods were acquired at the cost of 8lei/kg - on the 27th of December 2011 250 kilograms of goods were sold for the price of 8,5lei/kg - SC X SRL used in the fiscal year 2011, the CMP method as a method of stock assessment in order to guarantee output Entity's management decided to abandon using CMP method and pass to the use of FIFO method. As in fiscal year 2011 there have been high prices variations, CMP method is irrelevant, significantly affecting the commercial margin and inventory management decisions. As a result, company management believes that the best

	method for estimating the cost of goods sold is FIFO. Financial statements for the year 2011 will not be adjusted.
Estimations IAS8 makes a distinction between the changes in accounting policy and changes in accounting estimating. The companies which apply IAS8 must have to make the distinction between accounting estimation and accounting policies. Resorting to accounting estimations implies professional reasoning based upon the last information. For example there could be foreseen estimations of: - the profitable economical lifespan of tangible assets - residual values - doubtful receivables - degradation of the stocks - fair value of assets - fair value of debts - warranty obligations In some situations it is difficult to make a difference between the changes in accounting policy and changes in accounting estimating. For example, a change in measurement basis applied is a change in accounting policy. If for an entity it is difficult to make a distinction between the changes in accounting policy and changes in accounting estimating, the change will be approached as an accounting estimating change.	*Estimations* Regulation 3055/2009 makes the distinction between the accounting policies and estimates. The following are not considered as changes of accounting policies: (Regulation 3055/2009, point 268 (3)): a) adopting of an accounting policy for events or transactions different as background from the previous ones; b) adopting of an accounting policy for events or transactions that took place previously or were insignificant. Example: Company "X" has on 31st of December 1000 title of society "Y" acquired on the 1st of November N-1 for the price of 10 lei/piece. At the end of exercise N-1 society "Y" is admitted to trading on the Bucharest Stock Exchange. The stock at 31st of December is 12 lei/ piece. Admission to trading of company "Y" will cause the shift from cost assessment of fair value. This situation is about the changing of economical circumstances which are the subject of representation in accounting. Effect change in an accounting estimation will be recognized prospectively by including it in the result according to Regulation 3055/2009, point 40 (7): - of the period of the change if it refers only to the previous period (e.g. adjustment of bad debts); or - of the period of the following change, if the change effects refer to both (e.g. the profitable economical lifespan of tangible assets) Example: On 31st of December N,

	"A" company has a product that is fully depreciated but it is still used. On 31st of December its lifespan is expanded for another 13 years and revalued to 100,000 lei. It is still linear damping. The estimating change will affect the outcome of the financial year N+1 and the results of future periods.
Prior Period Adjustments IFRS standards do not refer to significant or insignificant errors.	*Prior Period Adjustments* The 3055/2009 regulation makes the distinction between the significant and insignificant errors. Insignificant errors: - Insignificant error correction is performed on the retained earnings account (but can be corrected on the profit and loss account); - Professional judgment decides whether an error is significant or insignificant; - They are not capable to influence the financial accounting information; - The financial statements of previous years will not be modified by correcting the minimal errors; - The correction of the minimal error will be subject to information in the notes of the financial statements. (note 6) Significant errors: - Significant error correction is performed on the account earnings. - The professional judgment will determine if the error is significant - The significant error is likely to influence the financial accounting information. - The significant errors will be corrected without changing the financial statements of the previous years.

	- In note 6 of the financial statements will be presented the information regarding the significant error's correction.

CONCLUSIONS

Framing and development of enterprise accounting policies are a priority for each body side, regarding the harmonization of Romanian accounting system to the European Directives and to the IFRS standards. Adopted and assumed accounting policies by the entity management are decisive elements in terms of drafting and presentation of financial statements in order to provide understandable information relevant to the needs of users in taking decisions.

The entities that prepare the financial statements according to Regulation 3055/2009 and to the IFRS standards will have to pay attention to the section concerned with the accounting policies as an essential component of financial statements, in order to provide information which meets the needs expressed in the contents of the qualitative characteristics accounting framework of IASB.

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