

COMPARATIVE STUDY REGARDING THE ACCOUNTING SYSTEM IN ROMANIA, FRANCE, GREAT BRITAIN AND USA

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Abstract:

This paper makes a comparative study of accounting methods and treatments regarding the establishment of revenues and evaluation of fixed assets and investment securities reported in four countries: Romania, France, Great Britain and USA.

Key words: *accounting system, financial statement, the General Accounting Plan (GAP), International Accounting Standards (IAS), Accounting Standard Board (ASB)*

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INTRODUCTION

World economy development has influenced the evolution of accounting. At present there is a significant increase in the importance of accounting information as a result of economic and political relations development between states, the globalization of economic phenomena and harmonization of laws at regional and international level.

Currently, worldwide, there are used two accounting systems, continental and Anglo-Saxon, and two international referential, the one issued by IASB and the one issued by FASB, registering an obvious trend to harmonize them. Therefore, other referential are used more often than the national ones in preparing financial statements.

RESEARCH METHODOLOGY

The main research method consisted in revising the most important opinions and approaches within the specialty literature, the articles and studies of the national and international press.

THE ACCOUNTING SYSTEM IN ROMANIA

After the Revolution of 1989, the Romanian accounting was subject to reconsideration and was reconnected to the realities of the European accounting. At present Romania traverses the third stage of accounting system reform that started in 2006 and aims to develop a national strategy for the implementation of IFRS. The objectives of the general framework developed by the IASB are to assist users in interpreting financial information prepared in accordance with IAS / IFRS, to provide information to those interested in the IASB activity regarding the elaboration manner of standards.

Financial statements are "the resultant of applying hypotheses, measurement bases and specific accounting principles, designed to better reflect the assets, liabilities, equity, namely the profit or loss of entities to serve the interests of a wide range of accounting information users".

Financial statements include the balance sheet, the profit or loss account, statement of changes in equity, cash flow statement and explanatory notes.

THE ACCOUNTING SYSTEM IN FRANCE

In France, unlike in Anglo-Saxon countries, accounting normalization is the responsibility of public power, although the private sector representatives, primarily accounting professionals actively participate in the development of standards.

The principles of the French tax system are grouped in the General Tax Code (Code général des impôts: CGI), in tax administration instructions and jurisprudence.

CGI recognizes that enterprises must comply with the accounting definitions contained in the PCG. However, it should be noted that this principle is valid provided that accounting rules are not incompatible with the tax rules applied to the taxable base.

The fiscal outcome is determined by correcting the accounting result by decreasing deductible elements and adding elements to be reintegrated into the taxable base.

Individual or consolidated accounts consist of the balance sheet, income statement and appendices that form a whole.

The balance sheet, according to the fourth Directive for the balance sheet there are two schemes, in the form of account and in the form of list, both with flexibility. We mention as examples in this case: *Unpaid subscribed capital, as the first section of fixed asset, or as component of current assets; Profit/ loss, as the last section of assets/ liabilities, or with a plus sign in the equity structure.*

The French General Accounting Plan (GAP) provides that, at any time, the assets and liabilities to be assigned with the fair value, "la juste valeur".

For assessing goods, claims and liabilities arising on the balance sheet, there are the following possibilities: evaluation at historical cost; indexed cost evaluation; assessment at the replacement value; evaluation at current value or venal value on inventory; assessment at the liquidation value (forced sale) or cession (voluntary value).

THE ACCOUNTING SYSTEM IN GREAT BRITAIN

In the Anglo-Saxon world, financial accounting is aimed at meeting the information requirements of investors. Accounting Standards Board (ASB) issues standards for annual financial statements (Financial Reporting Standards) (FRS) and draft rules for the financial statements (Financial Exposure Drafts) (EDF).

In the Great Britain, accounting knowledge does not necessarily imply taxation knowledge, the British accounting being disconnected from the tax system. In Great Britain accounting knowledge and knowledge does not necessarily imply taxation, accounting UK tax is disconnected. In Anglo-Saxon accounting, accounting records are not determined for calculating the tax benefit (taxable profit).

In Anglo-Saxon accounting, the taxable benefit is determined based on the accounting result calculated according to the generally accepted accounting principles and corrected by a number of adjustments required by tax law.

British companies prepare as financial statements the following: Balance Sheet; Profit and loss account; Statement of all gains and losses registered; Cash flow statement; Annual account notes; Changes in equity; Auditors report.

THE ACCOUNTING SYSTEM IN USA

Accounting is normative, seeking to uniform practices and is positive from an experimental point of view, aiming to meet the various information requirements of users.

In USA, financial accounting is separate from taxation, many of the rules for determining the results are similar, and the calculation of the taxable income is based on financial results.

The financial statements in USA include: Balance sheet, Statement of income, Statement of changes in retained earnings, Statement of changes in financial position, Changes of stakeholder equity, notes of financial statement.

The recognized valuation bases for evaluation are: historical cost, current cost or replacement value, market value, net value of achievement, the present value of future cash flows. It is not imposed a single evaluation base and other bases are possible, such as: fair value. However, the basic method is that of historical cost. In American accounting, the historical cost principle is of great importance, and expenditures are recognized only when consumption generates income.

We present in a comparative analysis how the accounting information supply is influenced by accounting treatments and methods used in Romania, France, Great Britain and USA:

INCOME ESTABLISHMENT

Element: *Establishment criteria*

In Romania: Under the new regulations, income establishment is made according to IAS 18

In France: revenues are not recognized until they cannot be sufficiently safe measured. Ex. prior existence of a contract

In Great Britain: Standard IAS 18 addresses the issue of revenue accounting

In USA: Revenues are not recognized before they are made.

Degree of similarity: 1

Element: *Income evaluation*

In Romania: Income establishment is made according to IAS 18

In France: Neither PCG nor other regulations do not establish rules for income assessment

In Great Britain: Revenue is measured at the fair value of the elements received in return

In USA: A company's revenues for a certain period are estimated by the value of assets received in exchange.

Degree of similarity: 1

Element: *Identifying transactions*

In Romania: Rules must be applied under IAS 18

In France: According to the General Accounting Plan (GAP), the income from the sale of goods includes the amount received in exchange for providing goods, services and benefits established. Interests are accounted *prorate temporis*, the income from securities are recorded at the time of purchase, dividends are recognized at the date on which shareholders may invoke the purchase right.

In Great Britain: When the estimated total result of a transaction is reliably evaluated, revenues must be registered by reference to the degree of operation advancement on the date of accounts closure. Otherwise, revenues from services provided should only be registered within the limit of incurred recoverable expenditures.

In USA: Income from the sale of goods are considered to be made by the company only if it has substantially fulfilled its commitments. For income from the services provided the same rule is applied as for the income from sale of goods.

Degree of similarity: 0

TANGIBLE ASSETS

Element: *Reference documents*

In Romania: Accounting Law 82/1991 and new regulations of the Fourth Directive and IAS 16.

In France: The General Accounting Plan (GAP) is the one providing information on these assets.

In Great Britain: IAS 16 “Tangible assets”

In USA: APB 12

Degree of similarity: 1

Element: *Entry cost and posterior evaluation*

In Romania: The evaluation of tangible assets is made from at the input to the cost of acquisition or production cost. It is allowed the revaluation of fixed assets and the accounting of revaluation differences in equity.

In France: The evaluation is performed at the cost of acquisition or production. The trade code allows the revaluation of tangible assets and the methods correspond to European directives.

In Great Britain: The valuation of assets is made at acquisition cost or production cost. Englishmen have an alternative treatment in evaluation, assets being evaluated at origin, at acquisition cost or revaluated based on their fair value. Revaluation applies to all assets of the same category and occurs simultaneously.

In USA: Evaluation is made at acquisition cost or production cost. The revaluation of tangible assets is not permitted.

Degree of similarity: 1

Element: *Assets acquired through exchange with other assets*

In Romania: The national regulations do not specify this aspect.

In France: The accounting is performed at the venal value of two lots and retains the one whose estimation is more reliable.

In Great Britain: The assets that entered through exchange with other assets are evaluated at their fair value if the exchanged assets are different or at net book value of the transferred assets when it comes to similar assets used in the same activity sector.

In USA: The evaluation of assets acquired through exchange is made at fair value, except internal reorganization, restructuring or liquidation, when they are evaluated at the book value of exchanged assets and the exchange regards identical assets.

Degree of similarity: 0

Element: *Depreciation*

In Romania: Are subject to depreciation both tangible assets (excluding lands) and intangible assets. Depreciation is calculated using the linear, regressive or accelerated method.

In France: Tangible assets, except lands, are depreciated over their utility period. Depreciation is calculated by applying the linear or the regressive method.

In Great Britain: Assets which have limited life should be subject to systematic depreciation.

In USA: Assets, except land, should be subject to systematic and rational depreciation.

Degree of similarity: 1

Element: *Impairment of assets*

In Romania: Impairment of assets is performed according to IAS 36

In France: Impairment of assets is performed according to IAS 36

In Great Britain: Impairment of assets is performed according to IAS 36

In USA: Impairment of assets is performed according to FAS 121

Degree of similarity: 1

Element: *Accounting depreciation*

In Romania: Accounting rules on harmonization with Directive IV of the EEC and international accounting standards

In France: According to the General Accounting Plan

In Great Britain: According to IAS 16 and IAS 36

In USA: According to APB 6-ARB 43

Degree of similarity: 0

Element: Disclosures

In Romania: According to IAS 1

In France: According to IAS 1

In Great Britain: According to IAS 1

In USA: According to IAS 1

Degree of similarity: 1

INTANGIBLE ASSETS

Element: Reference documents

In Romania: Accounting Law 82/1991 and new regulations of the Fourth Directive of EEC and IAS.

In France: Accounting of intangible assets is done through The General Accounting Plan (GAP).

In Great Britain: Accounting of intangible assets is made according to IAS 38

In USA: Accounting of intangible assets is made according to APB 17

Degree of similarity: 1

Element: Recognition of intangible assets

In Romania: Are recognized as intangible assets the same categories except research expenditures for which the treatment IASC, these being imputed to the result of the exercise.

In France: Research and development expenditures may be entered in assets if they meet the conditions of feasibility and profitability.

In Great Britain: An intangible asset is recognized if and only if it is probable that the enterprise receives future economic benefits and the cost of the asset can be reliably measured.

In USA: An intangible asset is recognized if and only if it is probable that the enterprise receives future economic benefits and the cost of the asset can be reliably measured. Exceptions are research and development costs which are treated as expenses of the period.

Degree of similarity: 1

Element: Evaluation methods

In Romania: To entry is used the purchase price for the purchased elements and the production cost for the elements produced by the entity. At the annual closure the assets are evaluated according to the IASC.

In France: To entry is used the purchase cost, the cost of production and the utility value. At the annual closure remains the historical value minus depreciation.

In Great Britain: To entry is used purchase cost, the cost of production and the fair value, at the annual closure is used the net book value.

In USA: To entry is used purchase cost, the cost of production and the fair value. At the annual closure remains the historical value minus depreciation.

Degree of similarity: 1

Element: Depreciation period

In Romania: Setting up expenses, up to 5 years, software, within 3 years, research and development expenses maximum 5 years.

In France: The General Accounting Plan does not indicate any depreciation period.

In Great Britain: Systematic depreciation on useful life that is supposed to be not more than 20 years

In USA: Systematic depreciation on estimated life time, but in any case it shall not exceed 40 years.

Degree of similarity: 0

RESEARCH AND DEVELOPMENT EXPENSES

Element: *Reference documents*

In Romania: Implementing Regulations of the Accounting Law and regulations for harmonization according to EEC Fourth Directive: IAS standards and standard IAS 38

In France: General Accounting Plan

In Great Britain: IASC - according to European standards, IAS 9 Research and development expenses (until 2000) and IAS 38 Intangible Assets (after 2000)

In USA: FASB – FAS 9

Degree of similarity: 0

Element: *Research expenses*

In Romania: According to the accounting rules enforcement, research and development expenses include expenses incurred in carrying out work or strictly individualized research objects, which are guaranteed to achieve their expected efficacy by their application in economic units.

In France: Fundamental research expenditures must be recorded in the expenditure period. Applied research expenses may be entered in asset if the projects are clearly individualized or present serious chances of commercial profitability.

In Great Britain: Research expenses are treated as expenses of the period.

In USA: Research expenses are treated as expenses of the period.

Degree of similarity: 0

Element: *Development expenses*

In Romania: Under the new regulations the IASC treatment will be applied.

In France: Development expenses may be entered in asset if the projects are clearly individualized or present serious chances of commercial profitability.

In Great Britain: The development expenses must be included in asset if the cumulative set criteria are fulfilled. If one of these criteria is not met, the development expenses should be imputed to the expenses of the exercise.

In USA: The development expenses represent the expenses of the period, is not activated.

Degree of similarity: 0

Element: *Depreciation of development expenses included in assets*

In Romania: Under the new regulations the IASC treatment will be applied.

In France: Development expenses included in assets shall be depreciated within 5 years, exceptionally, the depreciation period may be longer but it should not exceed the life period of the asset.

In Great Britain: Development expenses included in assets must be depreciated in a systematic manner based on the rhythm of considering the corresponding economic benefits.

In USA: Not calculated

Degree of similarity: 0

Element: *Impairments*

In Romania: Under the new regulations the IASC treatment will be applied.

In France: General rules apply at inventory evaluation

In Great Britain: If the future economic benefits do not allow the coverage of the assets' net value and of expenses that need to be made, an impairment provision must be made.

In USA: Not applicable

Degree of similarity: 0

FINANCIAL ASSETS, ACCOUNTING OF INVESTMENTS

Element: *Reference documents*

In Romania: Implementing Regulations of the Accounting Law and the accounting regulations harmonized with the EEC Fourth Directive and IASC standards.

In France: General Accounting Plan

In Great Britain: According to the European rules, IAS 25 "Accounting for investments" partially amended by IAS 39 "Financial Instruments"

In USA: FAS 115

Degree of similarity: 0

Element: *The rule's field of application*

In Romania: Implementing Regulations of the Accounting Law indicate the types of financial assets and investment securities as well as how to evaluate them.

In France: The General Accounting Plan indicates the evaluation method for participation titles, other mobilized securities and investment transferable securities.

In Great Britain: Rule 25 deals with investment accounting and information to be provided in the annex.

In USA: FAS 115 addresses accounting and the information provided in the annex, investment in securities represented in by instruments in equity whose fair value is easily determinable and of all investments in securities representing debt instruments (or debt securities). Investments in securities are placed in equivalence and in equity securities in consolidated subsidiaries.

Degree of similarity: 0

Element: *Classification of investment securities*

In Romania: In the chart of accounts are presented separately: other long term investments and other receivables in the category of financial assets and investment securities in the category of treasury elements.

In France: Securities, other than the participation ones, are classified as other financial assets and investment transferable securities.

In Great Britain: Investments are short-term investments and long-term placements.

In USA: On acquisition, investment securities should be classified in the following categories: securities held to maturity or securities available to be sold or traded securities.

Degree of similarity: 1

ACCOUNTING AND EVALUATION OF INVESTMENT SECURITIES

Element: *Evaluation of investment securities at the entry date*

In Romania: The new regulations do not expressly specify the investment securities evaluation, the general evaluation rule applies at the acquisition cost.

In France: Securities are registered in social accounts at their acquisition cost; the acquisition-related expenses are in principle included in the expenditure account.

In Great Britain: Securities are registered at their acquisition cost, which is formed by: the acquisition price + expenses related to acquisition - interest or dividends received

In USA: FAS 115 does not expressly specify concerning the evaluation at the date of entry. The general rule which applies is the evaluation at the acquisition cost.

Degree of similarity: 1

Element: *Evaluation of investment securities in drawing up the balance sheet*

In Romania: The new rules, beyond the general rules for valuing assets in the balance sheet make the following specifications: in the case of financial assets an

impairment provision is established with the difference between the acquisition cost and the net achievable value.

In France: Long term investments are valued at their probable negotiation value for unlisted securities and transferred securities at the average rate of the last month.

In Great Britain: Long-term investments are valued either at acquisition cost or at the diminished acquisition cost.

Short-term investments are valued either at market value or at the lowest value between the market value and the acquisition cost.

In USA: Both securities available for sale as well as those traded are valued at their fair value.

Degree of similarity: 1

Element: The transfer of investment securities from one category to another

In Romania: Under the new regulations the IASC solution will be applied.

In France: There are no rules on the transfer of securities. The net book value will be taken into consideration.

In Great Britain: Investment securities that were transferred from the short-term investment category to the long-term investment category, which were valued at the lowest value between the acquisition cost and the market value, will be registered at their market value.

In USA: Securities transferred from one category to another are accounted on the transfer at their fair value as if they had been sold and repurchased.

Degree of similarity: 0

CONCLUSIONS

- The comparative analysis of the methods refers in particular to the evaluation methods and the progress of accounting regulations, related to the four countries.
- In income, regarding the determination criteria and the evaluation of revenues, there is a degree of similarity between the four countries.
- In terms of identifying transactions in revenues, there is no similarity between the four countries.
- In tangible assets, in terms of reference documents, cost of entry, posterior evaluation, depreciation, impairment of assets and information provided, there is a degree of similarity between the four countries.
- In tangible assets regarding depreciation accounting and assets that entered through exchange with other assets, there is no similarity between the four countries.
- In intangible assets, in terms of reference documents, recognition of intangible assets and evaluation methods, there is a degree of similarity between the four countries.
- In intangible assets in terms of depreciation period there is no similarity between the four countries.
- In research expenses and development expenses regarding reference documents, depreciation of development expenses included in assets and related impairments there is no similarity between the four countries.
- In financial assets in terms of reference documents and the rule's field of application there are no similarities between the four countries.
- In investment securities regarding the classification of investment securities, evaluation of investment securities at the date of entry and in drawing up the balance sheet there is a degree of similarity between the four countries.
- In investment securities, in terms of investment securities transfer from one category to another there are no similarities between the four countries.

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