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INTERCULTURAL ASPECTS IN THE ACCOUNTING SYSTEM IN ROMANIA AND REPUBLIC OF BULGARIA

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Abstract

In this article I want to present the most important aspects from the course “Accounting”, presented in the activity 13 “INCOMING TEACHING MOBILITY: ATTRACTING FOREIGN LECTURERS (3.6)”, of the project BG05M2OP001-2.016-0005 “Modernization of South-West University “Neofit Rilski”– Blagoevgrad, National Military University “Vasil Levski” – Veliko Tarnovo and Sofia University “St. Kliment Ohridski” – Sofia, in professional fields 5.3 Communication and Computer Engineering, 4.4 Earth Sciences and 3.7 Administration and Management”.

Depending on the accounting culture and harmonization with the International Accounting Standards, the main accounting systems established are: the continental (European) system, the Anglo-Saxon system and the Islamic system.

The objective of the course is the analysis of the accounting system in Republic of Bulgaria and Romania, as EU member countries, which is specific to the continental (European) system, based on accounting organized in a double circuit. All this is presented in the context of a compliant/convergence accounting in Republic of Bulgaria and Romania.

Key words: accounting culture, Bulgarian accounting system, continental European accounting system, Directive EU, Romanian accounting system

1. Introduction

Specific to the Euro-convergence process (compliance with IFRS international reporting standards in the European Union) is that the convergence is achieved on two levels, on the one hand, between European and international legislation (IAS-International Accounting Standards/IFRS-International Financial Reporting Standards), and, on the other hand, between the legislation of the member states and the European one (already conforms through Directive 2013/34/EU on annual financial statements, consolidated financial statements and related reports of certain types of entities).

Therefore, Romania and Republic of Bulgaria, as member states, reflect their position in Euro-convergence process, namely that of the compliance of accounting legislation and practices with those recommended/existing at the European level, more precisely with EU decisions in the field of accounting.

Through these legislative acts (the order of the Ministry of Public Finance no. 1802/2014 for the approval of the Accounting Regulations regarding individual annual financial statements and consolidated annual financial statements, into in force in January 2015 in Romania and SG no. 95/2015 into in force in January 2016 in Republic of Bulgaria), the national accounting practices (Accounting Law No 82/1991, republished, in Romania and Accounting Law, SG, issue 98 of 2001 into in force in 1 January 2002, as amended by issue 100 of 2013, in Republic of Bulgaria), conforms with the EU decisions in the field of accounting in force, respectively Directive 2013/34/EU on annual financial statements, consolidated financial statements and related reports of certain types of entities.

2. Continental European Accounting Culture. General aspects

The continental (European) system was established on the basis one of the oldest accounting cultures. It is characterized by promoting normalization concepts, well harmonized with international accounting standards, without proposing a general conceptual framework, being connected by taxation.

The Anglo-Saxon system was created in England and the United States of America, on the basis an accounting culture, what was formed under the influence of financial business/affairs. This is built on a general conceptual framework, which includes a coherent system of objectives and principles, without resort to rigid rules and regulations. Fiscal regulations have none influence on accounting. The Anglo-Saxon system operate to a small measure with the International Accounting Standards (Bebeșelea, 2010).

According to the concept of representation of accounting object, accounting literature and practice created the double entry accounting system.

Double entry accounting system performs the representation every economic operation through registering it simultaneously in two accounts. The modern system of accounting based on the principles of double entry system owes it origin to Luca Paciolo who first published the principles of Double Entry System in 1494 at Venice in Italy.

Double entry accounting depending on the concept of organization a accounts and accounting objectives divide accounting systems into the monist system and the dualist system.

The single-circuit (monist) accounting system organizes accounts in a single flow within the economic circuit, both for the operations that concern relations with third parties (external functions), as well as for those of internal management (internal functions).

The double-circuit accounting system (dualist) organizes accounts in a separate circuits, two, one for patrimonial operations related to exchanges and relations with third parties, as well as the financial results, (FINANCIAL ACCOUNTING), and another for the accounts that register internal management operations regarding production, costs and profitability of products, works and services performed (MANAGEMENT ACCOUNTING).

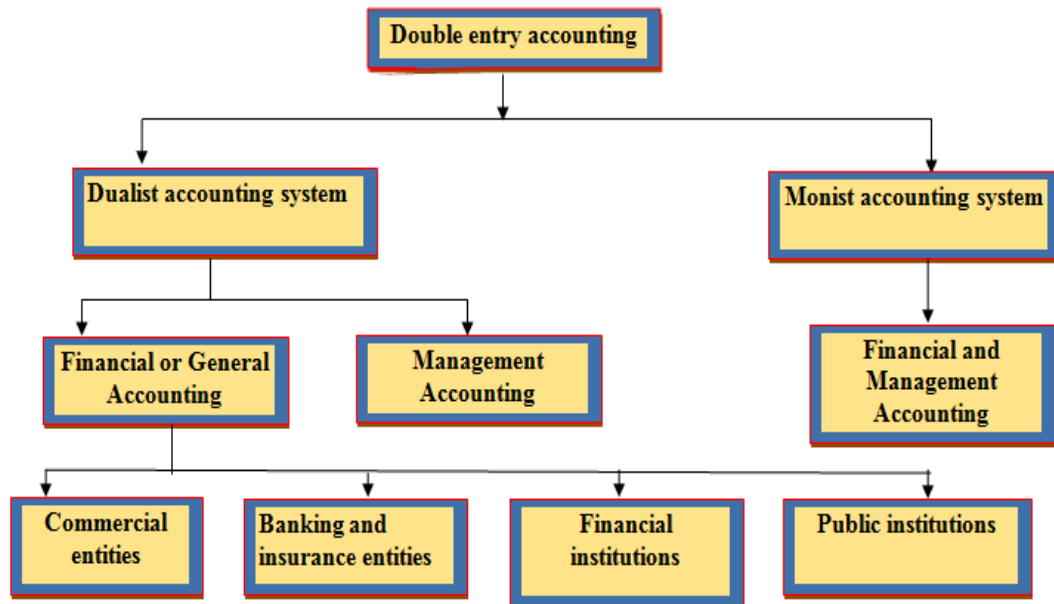


Fig. 1 Dualist accounting concept

Source: Projection made by author

The double-circuit (dualist) accounting system is practiced especially in the countries of the European Community, while in the Anglo-Saxon countries and America dominates accounting in a single circuit (monist, integrated).

FINANCIAL ACCOUNTING

Financial or general accounting it is based on unitary rules regarding its organization, provided by the legislation, having character mandatory for all entities. This aims:

- ◆ recording the all operations affecting the entity's patrimony, in order to determine the financial result;
- ◆ providing the necessary information for both needs entities' own, as well as in their relations with third parties (associate or shareholders, customers, suppliers, banks, tax authorities etc);
- ◆ elaboration and publication of annual financial statements.

MANAGEMENT ACCOUNTING

Management accounting has the main purpose of control production factors in order to obtain products, works, services quality with reasonable costs. As a result, it is mandatory, but it is organized by each patrimonial unit depending on the specifics of the activity them and their own needs. It has as main objectives:

- ❖ calculation production costs;
- ❖ establishing the results and profitability of the products obtained, of works performed, services rendered;
- ❖ preparation of the income and expenditure budget on types of activities, its tracking and control for knowledge the results and providing the necessary data to substantiate the decisions regarding asset management.

3. Economic entities from Romania and Republic of Bulgaria - the scope of financial accounting

In 2013, the Fourth and Seventh Directives were replaced by a new Accounting Directive – Directive 2013/34/EC. The Directive is the outcome of EU aspirations to ease the business environment of small and medium-sized enterprises by simplifying the requirements with regard to reporting and mandatory disclosures for that category of enterprises. The entities of the practical sector (public and private limited liability companies, partnerships, general partnerships, etc.) come within the scope of the Directive.

The scope of the Directive excludes non-profit legal entities. The provisions of the Directive should, for the first time, be applied with regard to financial statements for reporting years beginning on or after January 1, 2016 (Bashev & Boyanov, 2015).

Being an EC Member State, the Republic of Bulgaria and Romania have to transpose the Directive into the national accounting legislation by July 2015 (SG no. 95/2015 into in force in January 2016 in Republic of Bulgaria and order of the Ministry of Public Finance no. 1802/2014 for the approval of the Accounting Regulations regarding individual annual financial statements and consolidated annual financial statements, into in force in January 2015 in Romania).

Accounting object horizontally is grafted to the economic entities. Directive 2013/34/EEC introduces harmonized criteria on “micro”, “small”, “medium-sized” and “large” economic entities, and the definition of the separate categories is based on the balance sheet total, net turnover and the average number of employees.

The Directive 2013/34/EEC provides for 4 groups of reporting entities, but member countries can opt for 3 groups, and Romania opt for 3, and Republic of Bulgaria for 4. So, in Romania O.M.F.P no. 1802/2014 for approval of accounting regulations about individual annual financial statements and consolidated annual financial statements defines the following categories of economic entities in Romania:

- micro-entities as entities which on their balance sheet dates do not exceed the limits of at least two of the three following criteria:
 - (a) total value of assets: EUR 350.000;
 - (b) net turnover: EUR 700.000;

- (c) average number of employees during the financial year: 10.
- small entities shall be entities which on their balance sheet dates do not exceed the limit of at least two of the three following criteria:
 - (a) total value of assets: EUR 4.000.000;
 - (b) net turnover: EUR 8.000.000;
 - (c) average number of employees during the financial year: 50.
- medium-sized and large entities which on their balance sheet dates exceed the limits of at least two of the three following criteria:
 - (a) total value of assets: EUR 4.000.000;
 - (b) net turnover: EUR 8.000.000;
 - (c) average number of employees during the financial year: 50.

In Republic of Bulgaria, according to Zheliazkov (2014), enterprises should be categorized into three groups: large; small and medium-sized enterprises; micro-undertakings.

But, in art. 20 of the MF Draft Law, which working group of experts at the MF presented a separate draft of the Accounting Law are the following categories of undertakings:

- ➔ micro-undertakings – undertakings which as at 31 December of the current reporting period do not exceed at least two of the following indicators: 1) total value of assets – 718 thousand BGN; 2) net turnover – 1,430 thousand BGN and 3) average number of employees for the reporting period – 10;
- ➔ small undertakings – undertakings which as at 31 December of the current reporting period do not exceed at least two of the following indicators: 1) total value of assets– 8 million BGN; 2) net turnover – 16 million BGN and 3) average number of employees for the reporting period – 50;
- ➔ medium-sized undertakings – undertakings which are not small undertakings and which as at 31 December of the current reporting period do not exceed at least two of the following indicators: 1) total value of the assets – 38 million BGN; 2) net turnover – 75 million BGN and 3) average number of employees for the reporting period – 250;
- ➔ large undertakings – undertakings which as at 31 December of the current reporting period exceed at least two of the following indicators: 1) total value of the Regulation of the Bulgarian accounting system and its future perspectives 61 assets – 38 million BGN; 2) net turnover – 75 million BGN and 3) average number of employees for the reporting period – 250 (Basheva & Boyanov, 2015).

An important aspect in the organization of accounting in these types of entities is the preparation of an annual financial statements and activity report or compulsory independent audit.

In Romania and Republic of Bulgaria, the first and second group of enterprises are the group of micro and small. These apply simplified accounting (balance sheet, profit and loss account, and optional explanatory notes) and do not have the obligation to have the financial statements audited.

For medium-sized and large group of enterprises the Directive establishes a complete financial reporting regime (balance sheet, profit and loss account, the situation of treasury flows - Cash flow, equity situation and explanatory notes). These have the obligation to present the financial statements audited.

This means that the limits of the three criteria, which establish the difference between small and medium-sized and large entities (total value of assets: EUR 4.000.000, net turnover: EUR 8.000.000 and number of employees: 50) are, also, limits for the obligation regarding the audit financial statements.

For auditing of annual financial statements, the member states may establish different limits compared to those provided in the Directive, but only in the sense of increase their,

respecting the maximum limits of total value of assets: EUR 6.000.000, net turnover: EUR 12.000.000.

Most of the member states have maintained or reduced the values of the three criteria, which oblige to auditing. So, Republic of Bulgaria and Romania are countries where the level of audit thresholds is lower than that provided it in the Directive, in Romania 3.500.000, 7.000.000 and 50, and in Republic of Bulgaria 1.000.000, 2.000.000, 50 (Botez, 2019).

Conclusions

In the Romania and Republic of Bulgaria, as EU member countries, the accounting profession was influenced significantly by the modification of the European directives in accounting field. An important change was determined by the Directive 2013/34/EEC on annual financial statements, consolidated financial statements and related reports of certain types of entities/enterprises.

I would conclude with the conviction the transposition of Directive 2013/34/EEC, is the same. It addresses the issues on the manner in which the transposition will be implemented, on the categories of enterprises that have to be differentiated, on the accounting principles and the basis of accounting to be applied.

But, Romania and Republic of Bulgaria, interpreted differently the limits proposed by the Directive regarding the number of reporting entities and the values of the three criteria, which oblige to auditing annual financial statements.

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