ACCOUNTING HARMONIZATION BETWEEN UNIFORMITY AND DIVERSITY

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Abstract - The internationalization of economy as a result of business globalization and the ongoing development of international cooperation have led to the globalization of financial markets, which has forced the convergence of accounting systems and implicitly generated a universal accounting language. The process of globalization has a significant impact on accounting diversity that tends to diminish, leaving room for uniformity in terms of respecting the cultural, ethical and traditional values of each state. Current accounting regulations at international level are aimed at harmonization, convergence and compliance. The need for harmonization and uniformity in accounting implies the establishment of norms and rules, i.e. the normalization of it. Therefore, objectives, concepts, rules, methods and procedures for obtaining and using financial-accounting information are set and regulated. In this context, the relationship between uniformity and diversity in the international accounting harmonization process needs to be carefully considered, it is necessary to know the opinion of specialists about their perception of the impact of accounting harmonization on uniformity and diversity. Diversity in itself must not encourage resistance to change; the process of harmonization once started will certainly continue, and it is necessary to understand what will be preserved from what we call accounting diversity and how will accounting reasoning, alternative accounting treatments or creativity specific to the accounting profession adapt to the new conditions.

Index Terms - Accounting harmonization, accounting normalization, diversity, international accounting standards, uniformity.

I. INTRODUCTION

Since its inception, the International Accounting Standards Committee (IASC) had as its main objective the international harmonization of accounting standards, which implicitly had the effect of reducing accounting diversity. Interest in the harmonization of accounting systems has been reflected in both academic literature and practitioners since the second half of the last century [1]-[3]. There have been many obstacles in the process of accounting harmonization due to the difficulties encountered in linking accounting regulations to financial and fiscal regulations. After 2005, in the process of analyzing accounting harmonization, the study carried out by Ampofo and Sellani [4] was of particular importance. Harmonization of the national accounting referential with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) and compliance with the European Directives has generated significant costs and the issue of assessing these costs has been analyzed in the study of Ionaşcu et al. [5].

II. CURRENT STATE OF KNOWLEDGE

The core of normalization is the development of accounting rules. They represent a social decision, namely the product of a political action, a logical reflection or some empirical results. In the specialized literature, two models of schools appeared in the process of drafting accounting rules: a model which envisages a deductive or conceptual approach, where the concepts and principles are determined by a reasoning, which are to be found in the rules, methods and procedures transposed in practice, and a pragmatic or inductive approach, where norms are formulated and determined based on traditions and experiences. Regarding the cycle of production and use of accounting information, accounting rules are presented in the form of principles, rules and procedures established as a reference system. Standardization of the financial statements is specific to the Anglo-Saxon countries and refers to the content of financial statements. Normalization based on accounting regulations is inherent to countries in the European Union, and financial statements are the normalized elements in terms of their form and format. International accounting diversity is generated by a number of favourable forces such as the capital market, fiscal system, economic stability, social responsibility and national culture. In addition, we appreciate that economic globalization is a very important element that tends to diminish international diversity. International accounting, as shown by Riahi - Belkaouhi [6], is manifested on three main levels: accounting diversity, diversity of professional accountancy judgments, and diversity of accounting standards. This is determined by the diversity of accounting practices and principles used by each State, given the differences in the presentation of financial accounting information or the level of flexibility in relation to the accounting practices used in the different national accounting systems.
We consider it useful to analyze the most representative theories in the field of professional reasoning. We can say that cultural relativism is justified by the way of applying or implementing the international accounting standards at national level. Linguistic relativism can also be manifested through the existence of a process designed to facilitate professional judgment, a process based on both accounting and grammatical or lexical aspects. Diversity is manifested through different approaches to accounting practices by national or international accounting professional bodies using different working procedures. This type of diversity has generated international pressures in order to increase uniformity in accounting systems, leading to the need for international accounting harmonization.

In the literature, some researchers have identified a number of elements that are contributing factors in determining the diversity of accounting. Thus, Nobes and Parker [7] consider that the most important factors that determine accounting diversity are: legal system, culture, financing sources, tax system, accounting profession, other external influences. Also, researchers Elliott and Elliott [8] identified other factors considered important in determining the diversity of accounting, considering that the most relevant are: the legal system's typology, the modalities of financing the activity, the relationship between the tax system and financial reporting, the influence and status of accounting profession, the way of developing accounting theories, historical accidents, language. Roberts et al. [9] is considered by the literature as one of the most important actors in the field of accounting regulations and practices. He considers that accounting diversity is the result of the same factors in another combination and hierarchy, namely: the political and economic system, the fiscal system, the legal system, the corporations' financing system, the accounting profession, and other external influences. A country's accounting system is determined and influenced by the economic, political, cultural, and legal environment in which it manifests itself. Over time, these factors have led to the establishment and adoption of different accounting systems from one country to another. An accounting system is considered modern when the accounting profession has the decisive role in the development and application of accounting rules. Professional accountants must have a high level of professional training in the field that will allow them to make the appropriate professional reasoning and judgments. They need to be well aware of international accounting standards, to provide, through the annual financial statements, relevant financial and accounting information that are of quality. All these qualities of professional accountants represent signs of the evolution of accounting systems towards normality and modernity.

International differences in regulatory systems have largely survived through the harmonization of accounting. Mueller's environmental analysis was adapted and expanded by Nobes [10], who based his hypothetical classification on the evolutionary approach to identifying and measuring accounting practices in developed countries. In accounting, the importance of its culture and historical roots has first been recognized by Harrison and McKinnon [11], which have proposed a methodological framework in which they have incorporated culture into the analysis of changes in corporate financial reporting rules at country level. Use of this framework to assess the impact of culture on the form and operation of accounting systems has been demonstrated by analyzing Japan's accounting system. In our approach we also took into consideration the proposal of Gray [12], which is based on the action of the cultural factors on the social systems in general and the accounting ones in particular, but also the works published by Romanian authors [13]-[16].

III. RESEARCH METHODOLOGY

In this study, we seek to deepen the knowledge of the impact that international accounting harmonization has on the uniformity and diversity of accounting regulations. For this we conducted an empirical study based on a questionnaire applied to a sample of representatives of the academic community in Romania, grouped in the Association of Romanian Economics Faculties (AFER), who are at the same time members in at least one of the professional bodies in Romania, respectively Body of Accounting Experts and Licensed Accountants of Romania (CECCAR), the Chamber of Financial Auditors of Romania (CAFR) or the Chamber of Tax Consultants (CCF).

The objectives targeted are:
- Acknowledging the perception of academics who are recognized at the same time as active accountants related to the process of international accounting harmonization;
- Identifying the practical possibilities for achieving international accounting uniformity;
- Determining the place and role that accounting diversity can have in a world where globalization of financial markets and accounting harmonization will already occupy the main positions they are targeting currently and in the future.

Questionnaires were submitted to 105 specialists meeting the conditions for participation in our study and 32 responses were received with a response rate of 30.5%, which for e-mail responses can be considered a relevant rate.
IV. EMPIRICAL STUDY ON THE PERCEPTION OF SPECIALISTS ON THE UNIFORMITY AND DIVERSITY OF HARMONIZED ACCOUNTING REGULATIONS

For our study, eight statements on international accounting harmonization were considered, and the answers were ranked on five levels, from total disagreement to total agreement (total disagreement, disagreement, neither agreement, nor disagreement, agreement, total agreement).

Statement number 1: "The international accounting harmonization process will lead to a generalized harmonization of accounting systems." has obtained the agreement of all respondents, of whom 94% expressed a total agreement.

Statement number 2: "Difficulties of companies to implement changes required by international standards can be overcome relatively easily." received the respondents' agreement, two-thirds expressing a total agreement which means that no major obstacles are identified in the implementation of harmonized international standards.

Statement number 3: "The adoption of international accounting standards gives more credibility to companies." reached all respondents' agreement of whom more than half have declared their total agreement, which highlights companies' interest in adopting international accounting standards.

Statement number 4: "Financial statements prepared in accordance with International Financial Reporting Standards (IFRS) provide also the information required by local users" received the agreement of the participants, of whom more than half declared their total agreement. The relatively small number of the total agreement compared to the previous assertions suggests that local users would also like to receive information other than those compliant with IFRS.

Statement number 5: "International accounting harmonization is accompanied by a narrowing of the diversity of international accounting" has obtained the consent of all participants and total agreement from 9 out of 10 respondents which show that the perception of professionals is that the plus of uniformity is due to the decrease of accounting diversity.

Statement number 6: "International accounting harmonization will bring along the automation of accounting reasoning" has achieved disagreement among all participants as well as total disagreement from 88% of respondents. When it comes to answering a very sensitive question such as accountancy reasoning, it is clear that accounting harmonization will translate into an adjustment of accounting reasoning to the conditions of globalization of markets and not in the automation of professional reasoning.

Statement number 7: "In the circumstances of accounting uniformity, alternative accounting treatments are possible" led to the agreement of all respondents, of whom 81% were in total agreement.
Statement number 8: "Accounting uniformity will lead to the restriction of creativity specific to the accountancy profession" obtained the agreement of all the respondents, of whom 63% expressed the total agreement, which implies that in the opinion of the specialists the creativity will manifest taking into account the new framework provided by the accounting regulations recognized worldwide.

Table VIII

<table>
<thead>
<tr>
<th>Answer</th>
<th>Respondents</th>
<th>Rate %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Agreement</td>
<td>20</td>
<td>63</td>
</tr>
<tr>
<td>Agreement</td>
<td>12</td>
<td>37</td>
</tr>
<tr>
<td>Total</td>
<td>32</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Own processing

The questionnaire also contained a number of two open questions. At the question "Please specify the main advantages of the accounting harmonization process", 3 replies were provided by each respondent, being obtained the answers hierarchically organized in Table IX.

Table IX

<table>
<thead>
<tr>
<th>No.</th>
<th>Answer</th>
<th>Nominalizations</th>
<th>Rate %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Facilitating the decision to invest in a globalized economy</td>
<td>32</td>
<td>33%</td>
</tr>
<tr>
<td>2.</td>
<td>Uniform criteria for presenting the financial position and performance of the entity</td>
<td>20</td>
<td>21%</td>
</tr>
<tr>
<td>3.</td>
<td>Universality of accounting language</td>
<td>18</td>
<td>19%</td>
</tr>
<tr>
<td>4.</td>
<td>Communication facilities for related entities operating in different jurisdictions</td>
<td>15</td>
<td>16%</td>
</tr>
<tr>
<td>5.</td>
<td>Comparability of performance over time, space and on domains of activity</td>
<td>11</td>
<td>11%</td>
</tr>
<tr>
<td></td>
<td>TOTAL</td>
<td>96</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Own processing

To the question "Show some of the elements of accounting diversity that must be kept under the conditions of international accounting harmonization" have been given three answers by each respondent that are hierarchized in Table X.

Table X

<table>
<thead>
<tr>
<th>No.</th>
<th>Answer</th>
<th>Nominalizations</th>
<th>Rate %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Constraints related to different tax laws from one state to another</td>
<td>28</td>
<td>29%</td>
</tr>
<tr>
<td>2.</td>
<td>Compliance with rules set by financiers</td>
<td>26</td>
<td>27%</td>
</tr>
<tr>
<td>3.</td>
<td>Accounting reasoning</td>
<td>20</td>
<td>21%</td>
</tr>
<tr>
<td>4.</td>
<td>Accounting policies of each entity</td>
<td>15</td>
<td>16%</td>
</tr>
<tr>
<td>5.</td>
<td>Alternative accounting treatments allowed by the applicable accounting standards</td>
<td>7</td>
<td>7%</td>
</tr>
<tr>
<td></td>
<td>TOTAL</td>
<td>96</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Own processing

CONCLUSION

Our empirical study has highlighted the fact that the process of international accounting harmonization once started will continue until a generalized harmonization of accounting systems is reached, given that companies' difficulties in implementing changes required by international standards can be overcome relatively easily. On the other hand, adopting international accounting standards gives credibility to companies that have adopted these standards, and the format of financial reporting provides the internationally required information required at the same time by local users.

The answers received show a generalized understanding by specialists that international accounting harmonization is accompanied by a reduction in accounting diversity without the danger of automating accounting reasoning, allowing for alternative accounting treatments and adaptation to the new conditions offered by the phenomena of regionalization and globalization of the creativity specific to the accounting profession. The respondents identified the main benefits that international accounting harmonization brings with it, respectively:
Facilitating the decision to invest in a globalized economy
Uniform criteria for presenting the financial position and performance of the entity
Universality of accounting language
Communication facilities for related entities operating in different jurisdictions
Comparability of performance over time, space and on domains of activity

Our study also allowed the presentation of some characteristics, motivations and manifestations of accounting diversity that should be kept under the conditions of international accounting harmonization.

- Constraints related to different tax laws from one state to another;
- Alternative accounting treatments allowed by the applicable accounting standards;
- Accounting reasoning;
- Accounting policies of each entity;
- Compliance with rules set by financiers.

REFERENCES