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Convergence to IFRS in Romania – Score per Minute

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Abstract

The current stage of evolution of our society includes the extension of economic, social and political phenomena beyond the physical boundaries that history has drawn and thus requires a change in approach to accounting by adapting specific practices to the new needs of the market. The impact of digitization leads to the visible dissolution of borders and the generalization of accounting practices and tools. The accounting profession is moving towards increasing standardization and national regulations in this area tend to become more international, in an attempt to optimize one of the most important qualities of financial reporting: comparability. In this context, the present study aimed to compare and analyze the divergences between the Romanian accounting regulations applied according to EU Directive 34/2013 through the Order of the Minister of Public Finance no. 1802/2014 for the approval of the Accounting Regulations regarding the individual annual financial statements and the consolidated annual financial statements (OMFP 1802/2014) and the International Financial Reporting Standards. In terms of research methodology, the authors' approach is a qualitative one with quantitative elements, starting from the analysis of the relevant literature in order to understand and deepen the general context. To investigate the main similarities and differences between the sets of accounting rules the comparative method was used, but also tools specific to quantitative methods for the mathematical calculation of convergence scores between OMFP 1802/2014 and IFRS. Although the Romanian accounting framework has been aligned in many respects with the international one, the obtained results reveal a series of divergences between the two sets of regulations, materialized in different ways of approaching economic transactions.

Key words: *accounting regulations; convergence; comparability; IFRS;*

JEL Classification: *M41, M48*

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Introduction

The economic and social transformations characterizing the era of international globalization translate into new and complex challenges for the accounting profession. States, governments and companies around the world are going through extensive interconnection processes designed to facilitate international trade and investment in the new market conditions. In these circumstances, accounting systems are adapted to meet the needs of the business environment and to be able to provide comparable information as a basis for user decisions. Accounting is starting to become a standardized and heavily digitized process and the need to harmonize accounting rules and practices is increasingly being discussed worldwide.

In our country, the main user of financial information has always been the state, the Romanian accounting system being influenced by the French one. However, in recent decades, the evolution of world business began to influence the domestic economic environment and regulators have started to turn their attention to the similitude of domestic and international accounting standards, in order to ensure a competitive market and encourage foreign investment. From this perspective, Romania's accession to the European Union in 2007 represented a real turning point for the evolution of accounting regulations.

These considerations aroused our interest in studying, more than 14 years after the accession to the EU, the differences between the Romanian accounting regulations and the International Financial Reporting Standards, thus contributing to the development of the accounting system in our country, in the direction imposed by the global market.

The concept of international accounting convergence refers to the approximation of US accounting standards (US GAAP) to International Financial Reporting Standards (IFRS) and involves regulators in the main Anglo-Saxon states, but also the European Union.

In the European area, the term convergence has started to be used relatively recently and means the reduction of the gap between the sets of national accounting regulations and IFRS (Nobes and Parker, 2016).

Convergence or gradual modification of national accounting rules in order to bring them closer to IFRS is, in fact, a particular form of harmonization. The literature does not provide a clear delimitation between the concept of harmonization and that of convergence, the latter seeming to gradually replace the former. In any case, in light of the events of recent decades, the markets' globalization and the growing need for information, regulators around the world oriented towards convergence with International Financial Reporting Standards, which have become the benchmark for contemporary accounting systems in order to meet the current needs of the global economic environment in terms of transparency and comparability.

One of the main factors affecting the quality of financial reporting is the accounting regulation used (Sonderstrom and Sun, 2007). The increase in the quality of accounting information following the adoption of IFRS is revealed by numerous current researches. Key and Kim (2020) showed that IFRS reporting has led to a decrease in earnings management for 500 large companies in South Korea, which indicates the disclosure of higher quality information. Similar results were obtained for Indonesia, as shown by Wahyuni, Puspitasari and Puspitasari (2020) based on a methodology of structural analysis of the literature, on a sample of 168 scientific publications.

However, in Romania the number of economic entities reporting based on national regulations is significant. For this reason, ensuring the comparability of financial statements between listed and unlisted companies, as well as between unlisted companies from different countries becomes difficult and the analysis of regulatory convergence between national rules and IFRS is a necessity on the road to full harmonization.

The importance of establishing and analyzing the level of formal accounting convergence lies in the influence that legislation has on accounting practice. Therefore, our present study may be useful both scientifically, by providing new perspectives in accounting research on convergence, and at a practical level, by facilitating the understanding of specific rules and methods by professionals and regulators.

In the following we will present the research premises, the literature review, the research methodology, as well as the results we have obtained, underlining the main formal differences between the two accounting frameworks.

1. Research premises and literature review

The differences between accounting rules and practices in different states are numerous and various, being caused by factors such as the national legal system, the types of predominant companies, the quality of professional accounting bodies or the degree of conservatism in approaching the transactions (Black, 2004). But the main criterion of difference between the accounting systems that we have found in literature is related to the users of financial reports and the protection of their interests. Thus, we have identified two major categories of states: (1) those oriented towards capital markets, where the main recipients of accounting information are considered the investors and (2) countries where business financing is mainly done through bank loans. In the case of the latter, the influence of the tax system on accounting regulations is significant.

Different views of international accounting systems translate into divergences in accounting regulations between countries. Nobes and Parker (2016) have noted four topics that most often involve significant differences from one state to another: conservatism or conservatism, asset valuation methods, the treatment of provisions and the presentation of financial statements.

In accounting research, conservatism is assimilated with the tendency to underestimate assets or results and this principle is found within the regulations related to the capitalization of certain costs (such as formation or development expenses) or the recognition of revenues from long-term contracts. International accounting differences in terms of conservatism have been a significant obstacle to accounting harmonization.

The concept of conservatism in the colloquial sense is associated with the idea of protection and suggests a circumspect and cautious attitude. In the formal sense of accounting legislation, conservatism has different national meanings. Thus, in a state like Romania, with strong fiscal influence and having as the main source of funding the banking system, the accounting regulations almost excessively embraced the principle of prudence or conservatism.

Regarding the methods of asset valuation, there are various national practices that are mainly influenced by the legal and fiscal system. Thus, in countries with detailed legislation and a high influence of taxation on accounting, professional judgment plays a secondary role and the agreed method for assets valuation is the historical cost, while countries with legal systems based on jurisconservatism, mainly the Anglo-Saxon ones, have a more flexible approach, allowing a variety of evaluation methods. In Romania this statement is reinforced by the variation of the accounting treatments in the application of the fair value principle for tangible assets valuation, which, until January 1, 2016, was achieved with “sufficient regularity of 3 years” for fiscal reasons. Following the change in the building tax base as the fair value in accounting no longer served as a basis for taxation (according to Law 227/2015 - the Fiscal Code), the direct effect was the presentation by Romanian economic entities in the financial statements prepared for December 31, 2020 of “fair values” established in the years 2013-2014, which caused significant distortions in the information presented in the financial statements. Although the legislator updated the accounting regulations (OMFP 1802/2014) in the sense of explicitly indicating the accounting treatments of return from the fair value policy to the historical cost policy for the valuation of tangible fixed assets, a small number of economic entities applied this change in their accounting policies, preferring the “fair value” from the previous years (7-8 years ago) which only “fair” can no longer be called… A possible update of fair values would involve, concretely, higher costs for companies, which balance the quality of financial reporting and the effort they have to make and decide not to update the values presented under alternative treatment due to revaluation costs. The conclusion… maybe it would be too harsh to say that Romanian entrepreneurs do not care at all about the quality of accounting information. Only when the interest of the state as a user of accounting information intervenes, does his concern become real.

Conservatism in financial reporting is also reflected in the treatment of uncertainties by recognizing provisions or adjustments for impairment of assets. Their evaluation and presentation involve various ways of interpreting probabilities and have a high degree of subjectivism Different approaches of national accounting rules, arising from both prudential and fiscal reasons, have led international accounting regulators to deepen the issue of provisions / adjustments for impairment by ensuring appropriate criteria for recognizing and measuring their value.

The presentation of the financial statements is another element that differs significantly from one state to another, and the European Directives have played an important role in this regard by regulating a pre-established format of reports and a certain order of elements that require disclosure. From the financial statements users' perspective, two elements have proved themselves essential in practice: on the one hand the detailing of costs in the Profit and Loss Statement, which can be achieved either by nature or by their functions, and on the other hand the format of financial statements, which can be horizontal (account format, with separate sections) or vertical (list format). For investors, who in the Anglo-Saxon countries are considered the most important users of financial-accounting information, detailing the expenditure by their destination is more relevant in the decision-making process as it highlights elements such as cost of sales or gross margin that allow a proper analysis of business efficiency. The horizontal format of financial statements is preferred in continental economies, where the state is their main user, while in countries where capital markets play a key role in financing companies, the vertical format is generally used.

All these divergences between international accounting regulations and practices are reflected in one of the most important qualitative characteristics of financial statements: comparability. The provision of comparable financial information that would allow the evaluation of the performances of economic entities in a unitary way has also become a priority for the Romanian business environment, especially in the context of the expansion of multinational companies in our country. Thus, in addition to banks and listed entities, where the application of IFRS is a mandatory legal requirement, more and more companies with foreign shareholders use the Standards in parallel with national regulations for reporting to parent companies.

However, the number of listed Romanian entities that, by the effect of the law, prepare and present the financial statements according to the International Financial Reporting Standards is very small compared to the total number of companies on the Romanian market. Thus, according to data provided by The World Federation of Exchanges (2019), in 2018 a number of 87 entities were listed on the main market at the Bucharest Stock Exchange (85 domestic and 2 foreign companies), while the total number of active entities in our country amounted to 927,373 companies at the same date (National Trade Register Office, 2018).

Therefore, most entities in Romania prepare their financial statements according to OMFP 1802/2014. This regulation is the result of aligning our country with the European values and is a step in the process of harmonization with EU Directives, but there is also a strong influence of International Financial Reporting Standards in the development of the normative act in question. The regulatory convergence of the Romanian framework with IFRS is part of the reality of the international accounting environment in recent decades, in which the universal accounting language is embodied by the sets of International Standards, which is a benchmark for countries like Romania, where domestic markets have not yet reached their maximum level of development.

The comparative analysis of national regulations and IFRS, as well as the measurement of convergence between sets of regulations have been important challenges in contemporary accounting research, being approached by many authors: Nobes (2009), Peng and van der Laan Smith (2010), Apostolov (2015), Jindrichovska and Kubickova (2017).

A number of Romanian authors have addressed the differences between national regulations and IFRS. Thus, Istrate (2013) has studied the impact of the mandatory adoption of IFRS in Europe on a sample of 600 listed entities, conducting a comparative analysis of states in terms of conservatism. The same author (Istrate, 2014) analyzed the impact of the transition to IFRS on the financial indicators reported by Romanian entities in 2011 on a sample of 68 listed companies. The obtained results revealed that the level of IFRS compliance in our country seems to be lower than in other European states.

Ienciu et al. (2014) have drawn attention to the importance of non-financial reporting imposed by European Directives. The study reveals that Romanian entities do not fully comply with European and international regulations regarding the presentation of information on environmental, social and employees matters.

As for the models for measuring accounting harmonization and the similarities between accounting rules, the literature establishes several distinct methodologies. Thus, Van der Tas (1988) developed three harmonization indices: (a) Herfindahl Index of Harmony, derived from the Herfindahl-Hirschman index used in economics for competitive analysis and market concentration; (b) the comparability index which reflects on the financial statements and which was subsequently developed by Archer, Delvaille and McLeay (1995) in two separate indices for measuring internal comparability within a state and external comparability, between different states and (c) the index of international harmonization. This type of instrument uses as a basis for analysis the information in the financial statements presented by entities.

Fontes, Rodrigues, and Craig (2005) comparatively approached a mathematical method based on Euclidean distance, as well as two sets of similarity coefficients (Jaccard coefficients and Spearman coefficients) for determining regulatory convergence between Portuguese accounting rules and IFRS. Strouhal, Horák and Bokšova (2017) used, in addition to Jaccard coefficients, the Lance-Williams grouping algorithm to determine the level of de jure harmonization of accounting regulations in the Czech Republic, Slovakia, Poland and Hungary (Visegrád Group) with IFRS.

Qu and Zhang (2010) identified different existing methods of measuring convergence and proposed a new method based on grouping algorithms to compare the Chinese accounting framework with IFRS by delimiting four categories of elements: completely convergent, substantially convergent, substantially different and completely different.

In the relevant Romanian literature, we have identified few studies that consider OMFP 1802/2014 in relation to the International Financial Reporting Standards, including the works of Albu and Pălărie (2016) and Ciocan (2019). Most of the similar comparative analyzes take into account the previous accounting regulations, Order 3055 of October 29, 2009 for the approval of the Accounting Regulations compliant with the European directives: Strouhal et al. (2011), Mitu, Tudor and Pali-Pista (2014), Buculescu and Velicescu (2014).

In view of the above, we aimed to compare the Romanian accounting regulations included in OMFP 1802/2014 with those contained in the International Financial Reporting Standards (IFRS) and establish their level of convergence in terms of fixed assets, inventories, provisions, revenues and expenses, presentation of financial statements.

2. Research methodology

To achieve the research objective, we have adapted the method used by Qu and Zhang (2010), by grouping the analyzed elements into 4 segments, depending on their level of convergence.

For this purpose, we have studied the Order of the Minister of Public Finance no. 1802/2014 for the approval of the Accounting Regulations regarding the individual annual financial statements and the consolidated annual financial statements (OMFP 1802/2014) and International Financial Reporting Standards. We have considered the five main categories we set out to address: (1) fixed assets, (2) inventories, (3) provisions, (4) revenues and expenses, (5) presentation of financial statements. Each category was compared in terms of the significant elements contained in the two sets of regulations, the International Financial Reporting Standards (IFRS) and the Romanian norm (OMFP 1802/2014).

Then the elements were grouped in one of the 4 segments of convergence to which we have assigned a score and which we have delimited as follows:

i. *Segment 1 – complete convergence (convergence score 1)* – if both accounting standards contain the same provisions for the analyzed element, the accounting treatments or application effects are identical.

ii. *Segment 2 - partial convergence (convergence score 0,7)* – in the following cases:
   - national regulation contains fewer details on one element, but accounting treatments or enforcement effects are similar in significant respects;
   - national regulation differs from IFRS, but the effect of its application is not substantially different.

iii. *Segment 3 – partial divergence (convergence score 0,3)* – if the national regulation contains less details on one element or includes additional provisions and the accounting treatments or the effects of the application differ significantly.

iv. *Segment 4 - complete divergence (convergence score 0)* – in the following cases:
   - the national regulation does not contain provisions regarding an element highlighted in the Standards, which may lead to completely different accounting treatments or effects of application;

- national legislation contains different provisions on one element, which may lead to completely different accounting treatments or effects of application.

Within each segment, the analyzed elements were grouped and the level of convergence was determined for each of the five categories that were the subject of our study, using the weighted average, as follows:

$$\frac{\sum_{i=1}^{4} n_i \, x \, k_i}{\sum_{i=1}^{4} n_i} \quad (1)$$

where:

i – is the serial number of the convergence segment

n – is the number of elements corresponding to segment i

k – is the score corresponding to segment i.

We have approached the fixed assets in all their relevant aspects: property, plant and equipment, intangible assets, investment property, biological assets, the treatment of borrowing costs, assets held for sale, the main characteristics of leases and the financial assets.

The relevant definitions for each concept, the method of recognition, measurement and presentation of the elements in the financial statements, the methods and specific provisions for the depreciation of fixed assets, the impairment of assets, as well as the capitalization of borrowing costs were analyzed and compared.

In summary, we have considered a number of **58 elements** for fixed assets, as follows:

- definition of property, plant and equipment
- criteria for recognition of property, plant and equipment
- distinct categories of property, plant and equipment
- the moment of removal from an entity's statement of financial position (derecognition)
- initial measurement of property, plant and equipment
- treatment of costs with decommissioning – property, plant and equipment
- recognition of deferred payments in the case of property, plant and equipment
- treatment of asset exchanges
- subsequent expenditures (inspections)
- subsequent expenditures (replacements)
- valuation of tangible assets subsequent to initial recognition
- definition of useful life – property, plant and equipment
- estimation of useful life for property, plant and equipment
- start of depreciation – property, plant and equipment
- depreciable amount – property, plant and equipment
- useful life review - property, plant and equipment
- impairment of property, plant and equipment
- ways to calculate impairment value - property, plant and equipment
- impairment testing - property, plant and equipment
- definition of intangible assets
- criteria for recognition of intangible assets
- research and development phases
- internally generated goodwill
- capitalization of formation and research expenses
- moment of derecognition of intangible assets
- initial measurement of intangible assets
- treatment of deferred payments for intangible assets
- treatment of subsequent costs for intangible assets
- valuation of intangible assets subsequent to initial recognition
- revaluation of intangible assets
- estimation of useful life for intangible assets
- start of depreciation for intangible assets
- depreciable amount – intangible assets
- impairment of intangible assets
- ways to calculate impairment value – intangible assets
- impairment testing - intangible assets
- definition of investment property
- recognition of investment property
- initial measurement of investment property
- subsequent valuation of investment property
- definition of biological assets
- initial measurement of biological assets
- valuation of biological assets
- borrowing costs eligible for capitalization
- capitalization conditions
- determining the borrowing costs to capitalize

- suspension of capitalization
- cessation of capitalization
- definition of assets held for sale
- recognition and measurement of assets held for sale
- definition of a lease
- initial recognition of a lease
- depreciation of the asset subject to financial leases
- operating leases
- definition of financial assets
- initial measurement of financial assets
- directly attributable costs for financial assets
- valuation of financial assets subsequent to initial recognition

For the inventories we have analyzed **4 elements** (definition of inventories, treatment of discounts, initial/subsequent measurement, valuation of cost of goods sold) and for the provisions a number of **4 elements** have been approached (provision definition, types of provisions, criteria for recognition of provisions and measurement of provisions).

The **11 elements** considered in the category of revenues and expenses were:

- definition of revenues
- definition of expenses
- moment of revenue recognition
- identification of contracts with customers
- performance obligations - condition for recognition of revenues
- discounts
- the costs of fulfilling a contract
- marginal costs
- financing component
- variable consideration
- specific disclosure requirements.

Regarding the presentation of the financial statements, we have considered **13 elements** for the comparison between the two sets of regulations:

- structure of the financial statements
- objective of the financial statements
- principles of financial reporting
- financial statements components
- separate presentation of current and non-current assets / liabilities
- classification of expenses in the profit and loss statement
- other comprehensive income
- additional disclosure requirements
- transactions with owners
- discontinued operations
- cash flow statement
- changes in equity statement
- events after the reporting period.

3. Results and discussions

The results we have obtained are revealed in Table no. 1.

Table no. 1. The level of convergence between the Romanian accounting regulations (OMFP 1802/2014) and the international standard (IFRS)

Segment:	1	2	3	4	TOTAL	Level of convergence
Score:	1	0.7	0.3	0		
I. FIXED ASSETS						63.10%
Number of analyzed elements:	29	8	9	12	**58**	
II. INVENTORIES						65.00%
Number of analyzed elements:	2	0	2	0	**4**	
III. PROVISIONS						75.00%
Number of analyzed elements:	3	0	0	1	**4**	
IV. REVENUES AND EXPENSES						54.55%
Number of analyzed elements:	5	1	1	4	**11**	
V. PRESENTATION OF FINANCIAL STATEMENTS						62.31%
Number of analyzed elements:	6	3	0	4	**13**	

Source: Own projection

We have noticed a level of formal convergence of 63.10% between the national regulations and IFRS in the case of fixed assets. We could find a complete similarity in terms of defining the categories of fixed assets and the criteria for recognizing them in the financial statements (except for those held for sale and biological assets), as well as in the case of defining leases.

The rules regarding the start of depreciation are partially convergent, but the two sets of regulations differ substantially when we talk about the treatment of deferred payments (to which the Romanian norms do not refer) or the determination of depreciable amount, where International Standards define the concept of residual value, concept not found in OMFP 1802/2014. Moreover, the international norms contain distinct standards and special accounting treatments for certain categories of assets such as investment property or assets held for sale, for which, according to Romanian standards, the rules on property, plant and equipment apply.

Regarding the methods of measurement for the elements presented in the financial statements, the Romanian legislator did not focus on International Standards, where the matter is more flexible and more based on professional judgement.

Other divergent legal provisions regarding fixed assets are related to the measurement of capitalization costs as well as to the suspension of capitalization, for which there are distinct rules in IFRS, which are not found in domestic law.

The accounting treatments of leases are largely convergent, but with the coming into force of IFRS 16 – *Leases*, in January 2019, a standard issued by the IASB in January 2016 and replacing the old relevant standard (IAS 17), the international framework requires the same accounting treatment for financial and operating leases and from this point of view the Romanian norms are not similar.

The comparative situation of financial assets reveals a complete divergence from the perspective of their measurement, which according to IFRS is achieved at fair value plus directly attributable costs, while OMFP 1802/2014 retains as a general principle the valuation at acquisition cost.

For inventories we have obtained a level of convergence of 65% between the two sets of regulations. Here, the situations of partial divergence (with a score of 0.3) are those regarding the treatment of discounts, as well as the valuation of cost of goods sold, for which IFRS does not allow the LIFO method, which is still provided in our national law.

The highest level of convergence was found for the provisions - 75%. OMFP 1802/2014 was aligned with the international framework in this respect, the only difference being that in the domestic legislation the categories of provisions that can be disclosed by the entities in their financial statements are specifically defined and described. At the same time, we have noticed the introduction in the Romanian regulatory framework of the provisions for onerous contracts, that were not present in the old legislation.

The requirements of OMFP 1802/2014 regarding the definition, recognition and presentation in the financial statements of revenues and expenses converge in a percentage of 54.55% with the international reference IAS / IFRS. We can observe a total divergence in the criteria for recognizing contracts with customers (provided by the Standards, but not found in the domestic legislation). The financing component (resulting from the time lag between the payment of assets and the moment of transfer) and possible compensations for delays or cancellations also involve substantially different accounting treatments.

As for the presentation of the financial statements, we have obtained a convergence level of 62.31%. The structure of the financial statements and their objective, as stipulated in the Romanian accounting norms (OMFP 1802/2014) agree almost entirely with IFRS. Moreover, the presentation of the objective in the national framework is identical to that in IAS 1, with the exception that the concepts of financial position and financial performance are not explicitly defined by OMFP 1802/2014, for deepening these concepts it is necessary to consult the texts issued by the International Accounting Standards Board (IASB), from where they were, in fact, taken over.

If we analyze the accounting principles, which are not defined as such in the international reference, but are found as concepts used in the Standards, we notice the way in which IFRS approaches conservatism. If in the 1989 version of the Conceptual Framework for Financial Reporting conservatism was a qualitative feature of the financial statements, the 2010 version completely excludes it as it does not align with the neutrality in the representation of transactions and affects the credibility of the disclosed information. Only in the 2018 version of the Framework is conservatism included, but only to emphasize the reporting neutrality characteristic. This view characterizes the Anglo-Saxon systems, where financial markets have an overwhelming influence on accounting approaches. Romanian regulations give undue importance to conservatism, a basic principle that has been taken from continental accounting systems generally oriented towards taxation and the banking sector. Conservatism or prudence is seen in our country as a measure of legal protection, by prohibiting the overestimation of revenues and assets and the underestimation of debts and expenses, thus providing a margin of safety for users of financial statements. However, we must not neglect the excessive prudence that leads to the creation of "hidden reserves" and which can also represent a risk of distortion in the financial statements, being often used as "earnings management" in disclosing the financial performance, in which case they may qualify in the area of tax fraud.

We have also found divergences in the content of the financial statements between OMFP 1802/2014 and IAS / IFRS, the elements presented do not fully coincide. The source of these divergences consists in the different ways of approaching the transactions and economic events by the two accounting standards.

Conclusions

Reducing the differences between the accounting practices of different countries is a major concern of global and regional regulatory bodies, and efforts in this direction are reflected in the phenomenon of international accounting harmonization. This process is a difficult one, on the one hand because of the major divergences between the states of the world from a cultural, economic and social point of view, and on the other hand because of the fiscal implications that the necessary legislative transformations would exert on national economies.

Through the study we have conducted, we aimed to identify and analyze the divergences between accounting regulations in Romania and European and international ones in the context of accounting harmonization and convergence.

The Romanian accounting research on measuring the convergence of accounting norms with IFRS mostly includes comparative studies that relate to the legislation prior to Order 1802/2014. At the same time, if we consider fixed assets, which are one of the most complex elements in the financial statements and involve the most varied approaches internationally, the previous research we have identified addresses regulatory convergence separately, by types of fixed assets. Our analysis has focused on the category of fixed assets as a whole, taking into account all relevant requirements. Moreover, we have not identified studies that would determine the level of convergence between the two sets of regulations in terms of the presentation of financial statements. For these reasons, we believe that present research makes an additional contribution to the development of the Romanian accounting system in the direction of the needs imposed by the global market.

One of the limits of our approach is the extent of the analyzed elements. Thus, we have examined a total of 90 elements to study the convergence of national regulations with IFRS regarding fixed assets, inventories, provisions, revenues and expenses and the presentation of financial statements. Considering additional elements could lead to different results.

On the other hand, our analysis is a formal one, aimed at regulation. An approach to „de facto” convergence at the level of Romanian economic entities that are not listed on the stock exchange and do not apply IFRS could consider the analysis of financial statements and the identification of a convergence profile and possible differences that may occur in practice. In this way, convergence studies would focus on what national accounting is and not just on what it should be.

Finally, the study has considered the complete set of IFRS regulations as a basis for comparison, while the national accounting reference OMFP 1802/2014 is the one used by entities which are not listed on a regulated market. That is why we consider that an approach of the International Financial Reporting Standards for SMEs would be welcome, together with the analysis of the opportunity and costs of adopting this framework in Romania, adapted to small and medium entities.

In the light of the above, we consider it appropriate to reflect further on the functional nature of accounting in relation to the symbols of modernity. The way in which accounting systems relate technologically and socially to various fields of activity, as well as their ability to respond to the needs imposed by globalization remain important issues that need to be examined and deepened in accounting research.

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