

THE ACCOUNTING LAW AND THE GLOBALISATION ERA

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Abstract

The accounting law appeared as a new procedure together with the globalisation period and the knowledge economy. The accounting information relevance for company patrimony approach is both an economic theoretical issue and an accounting law one. Apart from the norms regarding significance breakeven and economic axiom, contractual aspects are also important. The most precise, organized and significant data can be obtained only from accounting. In this way, managers and administrators would like to get information ignoring the real capacity of accounting as much as possible. For this kind of situations, it is the accounting law that puts things into light.

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1. Accounting in the globalisation era. The accounting law from theory to practice

The leap to the globalisation era is impossible without notable progress in the generalisation of certain rules and norms accepted by the accountants in different countries. Among these norms, principles and conventions, we currently have the International Accounting Standards (IAS), the International Financial Reporting Standards (IFRS) and other similar regulations. Their form, rate and expansion amplex shall be analysed by the administrators, managers and owners in order to see the rate at which their business can be developed at a global level without the discomfort of the different accounting systems. Strictly methodologically, the International Accounting Standards and the other similar regulations are the *international accounting law*, this being another argument in recognising the accounting law as a distinct and evolved branch of law.

2. The contemporary knowledge-based economy and the accounting law

Through the accounting law, the calculation of costs and the managerial accounting have an increasingly important role in pursuing the observance of the *honest commercial practice* regulations. Without such regulations, the commerce expansion, especially the international one, is impossible. Ultimately, the most effective control instruments upon the relation between the cost and the acquisition

cost can be found in the accounting of the economic agents. The accounting arguments are based on numbers having documents as fundament. Therefore, the evaluations have a strict character and the deviation degree from the legal frame can be numerically appreciated. The usage of the accounting instrument in supervising the different market behaviour is part of the accounting law. Those documents “produced” by accountants that can legally be evidences in the competition protection relations shall be chosen. Not any accounting document – and not any accounting information – can enter the evidence system in litigations concerning the competition protection. In the contemporary economy, the accounting law shall be the legal base for selecting the accounting documents or information in such cases.

The management of the patrimony and its specific activities, such as the stock-taking provide rich study materials for the accounting law. The procedure aspects concerning the actual development of the stock-taking, the stages, the situations when it is compulsory, the capitalization of the stock-taking results and the effects of the different concrete situations generated by this activity are moments when the accounting law intervenes. Certain chapters from it, such as the revaluation of the patrimony are in direct connection to the law branches. The business law nowadays cannot exist without the legislation regarding the revaluation.

The elaboration of accounting policies by companies within the current international accounting law determine a set of juridical relations that cannot be clarified otherwise than by the accounting law. The internal organism, meant to propose, and the decision organ will simultaneously be submitted to the commercial law.

The budget method is more and more part of the management organism of the modern patrimonial entities. The accounting law will mainly bring under regulation the budget elaboration, their transmission and distribution, maybe their inclusion in the performance and remuneration indicator system. Interferences with the labour law and the commercial law occur at this stage. The emergence of a complex institution cannot alter the specific features of each of the law branches intervening in the budgetary procedure.

3. The accounting procedures and their integration in the general procedure system of the modern enterprise

The procedure aspects – by their nature – belong to law branches more than to accounting ones. The follow-up of the accounting procedures and their integration in the general procedure system of the modern enterprise can only be part of the accounting law in its position of branch with a deep interdisciplinary character.

One component of the contemporary accounting law is the functionality of the professional organisms. The relations between them and the public authorities or other civil organisations, the relations of the professional organisms with their members or with the representatives of the chosen organs, including the own technical personnel, are elements belonging to the interest sphere of this new law

branch to which the jurists together with the economists must sometimes give solutions. In order to do so, they will know the functionality particularities of the different organism types, also by relation to the international practice in similar situations.

The inclusion of the accounting expertise in the trial means in different actions (civil, commercial, criminal etc.) rise the problem of interpretation (by the judge) of the conclusions registered by experts. Beyond the technical character of the expertise, the instance will appeal to norms of accounting law for establishing the right verdict.

One of the duties of the *Human resources* department is the elaboration of the job descriptions. In the case of the persons occupying leading positions or with attributions in the financial-accounting sector, this labour law document will lead to accounting law.

The role of the jurists must not be forgotten; since the beginning of the 21st century they have been *members of the local*, national and universal community. A new type of fraud is more frequent and for this reason it is natural to develop a law branch that should study the basic juridical relations. Instantly, the interest for this activity that can produce bigger financial disaster than we can imagine, emerges. In Eastern Europe, and especially in Romania, the population has been used to the dissimulation of this fraud type. We can say that the criminal law and the state's coercion force have reached the limit of the juridical relations regulated by the accounting law due to the privileged position of the guilty ones in this field.

The patrimony of the owners association, one of the most nationally expanded social organisation collective structures, is defended by the *accounting and civil law norms*. Most of the people live in a collective system and are included in this organisation system. The last years have registered numerous unauthorized inventories from the administration personnel of these entities, with direct effect on the personal income of the members. These frauds mean breach of the accounting law.

The activity within the collectivity includes the participation to the debate of current problems from fields of general interest. Such a field is sports nowadays. In Romania, there have been intense disputes within certain clubs or between different personalities. The analysis of the clubs' leaders activity, the debates regarding the organisation and formation of the professional football clubs as joint-stock companies and the manner of distribution of the veto right are only some examples drawing attention upon the difficulties the accounting law is approaching.

Within the interdependencies created between the older branches of law and the accounting law we find the definition of the entities; accounting is organised at their level. The notions of legal person, subsidiary, branch, work point are taken by the accounting law and the accounting from the classic law system. Without these exogenously defined categories, the accounting and the accounting law would not have the necessary fundamental guiding marks.

4. The generalisation of the application of international accounting standards in the contemporary business environment

In the contemporary economy the major differences are in the accounting system of the states based on the common law tradition, where we include the USA and England, and also in the systems based on the Code law tradition, where we include France, Germany, and all the other states that have adopted the coded judicial regulations. At present, when globally examining the components of the accounting systems from the USA and England, France, Germany we notice either important differences, or minor ones.

When referring only to taxing the income from the businesses organised in enterprises, we must mention:

- the different way of calculation and book-keeping of the taxes upon the incoming income in France, Germany resides in the quite different fiscal regulations;
- another example regards the building of reserves.

In both of the quoted countries there are regulations; the patrimonial units have the right to constitute a legal reserve by taking benefits within a percentage (normally, of 5%). It is also provisioned that such an operation can be continued for many years, until it reaches approximately 10% of the capital (10% of the stock capital in France, 10% of the nominal value of the stock capital in Germany). These benefit takings do not reflect in costs, as they are exempt from the tax additional to the profit. It is useful to highlight that the accounting rules adopted in Japan were initially moulded in compliance with the German accounting as consequence of an association on many levels between these states in the first half of the 20th century. Recently, we can notice an American influence in the accounting field and this leads to a generalisation of the US-GAAP system.

In spite of the American influence that manifested itself especially in the field of public accounting, the Japanese accounting and the financial relations continue to be in line with the European accounting model. There have been provided statutory dispositions that have aimed at diminishing the benefits, in the sense of an amortization with the legal provisions in the US or UK-GAAP. Caution is one of the most important principles in accounting.

Analogous, the states in Central and South America that have been under Spanish and Portuguese influence have similar accounting rules to the ones effective in the European states.

Although there were certain specific differences in the field of accounting in the above-mentioned states, the conventions, principles and rules of the book-keeping are universally applicable and the fiscal differences are mostly attenuated. The necessity for the thoroughness of the harmonisation of the fiscal situations system leads to a generalisation of the I.A.S.C standards. Especially the IAS 1-41 standards can and must become benchmarks.

The internationalisation of the financial markets and the deeper development of the multinational societies are objective factors leading to a complex organisation in the field of accounting and especially with references to the financial situations.

The multinational companies have become a reality in the business world. Especially in the last quarter of the 20th century, they have assumed a predominant role in the various market segments and have stimulated many activities in the national economies of various countries.

5. The accounting is dependent on the economic system it belongs to

Accounting is a component of the economic sciences and at the same time a powerful technique lately improved in order to be useful to people and persons as much as possible. Accounting is anchored in the economy based on knowledge. The political economy provides the basic conceptual “infrastructure” to the accounting and the other economic disciplines. The accounting – although having a great functional autonomy – will still be dependent on the type of economic system it belongs to. In the globalisation era we meet for and against anti-globalisation opinions and arguments. Therefore, there will be points of view that will tie accounting to this tendency or that will highlight its development in the isolationist national context. Some economists will study the possibility of adaptation of the accounting to the great challenges of the transparent business from any place of the Earth in order for the world’s great business to be stimulated. Others will notice errors or elements of inherent incompatibility between the international accounting environment and the national economic realities.

Conclusions

Accounting plays an important role in the management of the modern patrimonial entities. This contribution can be seen on many levels.

In the modern management system *the budgets* are frequently used for the programming, supervising and control of the activity, as well as for the establishment of certain easily measurable parameters. Data from accounting are mainly used in the foundation, elaboration and follow-up of the budgets. The main “referential” for the budget indicators is the financial and managerial accounting of the patrimonial entity.

Sometimes, there are patrimonial *evaluations* and re-evaluations in the current activity of the modern enterprise or of the activity developed. Accounting is used for these as well, besides other sources.

The cost management is one concept of the modern management. In order to calculate the costs of the patrimonial entity, most of the data is taken from the financial accounting field. The calculation itself is part of the managerial accounting activity.

The development of the patrimonial entities, as well as the supplementary financial resource attraction from the banking system or from the capital market mean the elaboration of certain *feasibility studies* or *business plans*. A lot of information found only in the accounting field is needed for these future activity orientation documents.

The manager’s or administrator’s dashboard is another leadership instrument proposed by the contemporary business science. Within this dashboard, a lot of the information comes from accounting. Some are registered as such, others are elaborated. Accounting remains a significant provider of such information.

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