


ROMANIAN PROFESSIONAL ACCOUNTANTS' PERCEPTION ON THE DIFFERENTIAL FINANCIAL REPORTING FOR SMALL AND MEDIUM-SIZED ENTERPRISES

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ABSTRACT

2009 was an important year, internationally, for the financial reporting of small and medium-sized enterprises. First of all, the International Accounting Standards Board (IASB) published the International Financial Reporting Standard for the Small and Medium-Sized Entities (IFRS for SMEs). Secondly, the European Commission started the consultations over the amendment of the 4th and 7th Directives with a view to simplifying them for the small entities. Moreover, the European Commission launched a consultation over a possible adoption of the IFRS for SMEs at the level of the European Union. Through our study we attempt mainly to identify the attitude of Romanian professional accountants about the financial reporting of the small and medium-sized enterprises (SMEs). Data was collected through questionnaires on a sample of 190 accountants. The results indicate that more than a half of respondents consider that the current regulations do not provide a reasonable level of simplification for SMEs and, consequently, a more simplified reporting system is needed for these entities. However, only very few respondents consider that the IFRS for SMEs in its current form is adequate. It was found that respondents having an experience of up to 10 years reject more willingly the idea of detailed rules and accept the need for professional judgment. Besides capturing the accountants' attitude towards the IFRS for SMEs, our study identifies the main users of accounting information prepared by SMEs. Besides contributing to a scarce literature on the IFRS for SMEs applicability, these results are useful for practitioners and regulators when considering the change in the regulations for SMEs.

•  *Differential reporting, small and medium-sized enterprises (SMEs), professional accountants, IFRS for SMEs, European directives*

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INTRODUCTION

The preparation of a standard for small and medium-sized enterprises is not a new idea, the differential financial reporting being in the focus of several national standard setting bodies for many years. Thus, before the International Accounting Standards Board (IASB) released the IFRS for SMEs, in many countries (Great Britain, Australia, Canada, New Zealand, Hong Kong, Philippines), there had already been accounting standards for these companies. Moreover, the differential financial reporting for individual financial statements is included in the European Union Directive IV as well.

In this context, through our study we attempt mainly to identify the attitude of Romanian professional accountants about the financial reporting of the small and medium-sized enterprises. Do they want a simplified financial reporting system for the small and medium-sized enterprises? Should this financial reporting system be designed starting from the European directives or should the IFRS for SMEs prepared by the IASB be applied as such? Should this financial reporting system be based on detailed rules or on principles and professional judgment? What should be the criteria for the identification of small and medium-sized enterprises? Which is, in the professional accountants' view, the main user of the financial statements prepared by the small and medium-sized enterprises?

We expect this research to raise the interest of the academic environment involved both in the research and practice, but also the interest of those who have anything to do with the financial reporting of the small and medium-sized enterprises: the Romanian accounting standard setter (Directorate for accounting regulations within the Ministry of Public Finance), the preparers, users and, last but not least, the professional accountants, whose opinion is analyzed.

We believe that the main contribution of our paper resides in the fact that, through the empirical study presented, we go beyond the limits of descriptive research. Moreover, to our knowledge, this is one of the few papers that test the attitude of a party involved in the financial reporting of small and medium-sized enterprises, i.e. the professional accountants in our country.

Our study is structured as follows. In the first part we present the pros and the cons of differential reporting. Then, there is a short history of differential reporting in our country and an overview of the studies published by various Romanian authors on the accounting for small and medium enterprises. Further on, there are presented the research methodology, the results of the research, the conclusions and limits of the research.

1. DIFFERENTIAL REPORTING: PROS AND CONS

When the need for a differential financial reporting is invoked, the following are considered amongst other things: the economic and social importance, number and diversity of users of the financial statements, their information needs and the cost-benefit ratio. The public's interest in a company is determined by its economic and social importance. Thus, the more an entity is economically and socially important for the different stakeholders, the more it has to prove accountability, transparency and rigor in its financial reporting.

It is generally agreed in literature that the users and their information needs vary depending on the nature of the entities (Canadian Institute of Chartered Accountants, 2001). The IFRS for SMEs mentions the following categories of external users of the general financial statements prepared by the small and medium-sized enterprises: owners who are not involved in managing the business, existing and potential creditors and the credit rating agencies (IASB, 2009). Moreover, other categories of users have also been identified for the small and medium-sized enterprises: tax authorities, administrators etc. (UNCTAD, 2003).

The financial statements of public entities are available for an unlimited number and a diversified category of users. The existing and potential investors are the main users of the financial statements. These users whose economic decisions depend on the information published in the financial statements are a heterogeneous category made up of individuals, mutual and pension funds, insurance companies, banks etc. But in the case of small and medium-sized enterprises the main users are the owners (who most of the times are also the administrators), banks and commercial creditors. Various studies have emphasized that in regards to the usefulness of the information in the decision-making, the larger and diversified the user group, the more likely it is that the entities would benefit from publishing more detailed information in the financial statements, which is not the case of the medium-sized enterprises (Canadian Institute of Chartered Accountants, 2001).

Moreover, one should not only consider the benefits, but also the costs incurred with the financial reporting, such as:

- costs for the preparation, printing and publication of financial information;
- audit costs;
- potential costs generated by the disclosure of information to a competitor;
- costs of compliance with the legal requirements.

Many such costs are fixed or do not vary proportionally with the size, but in turn, they are much more significant for the small and medium-sized enterprises.

In addition, the financial reporting is influenced by the information needs of the users of financial statements. These needs depend, first, on the nature of the decisions. The users of financial statements of small and medium-sized enterprises are confronted with different decisions than those of large enterprises. Thus, while the investors of public (large) enterprises use the financial information to decide whether to "sell or keep the stock", for the investors of small and medium-sized enterprises the strategy of withdrawal from an entity does not represent a realistic option (Canadian Institute of Chartered Accountants, 2001). In addition, although the profitability and liquidity remain important indicators, for the owners of small and medium-sized enterprises other factors are important too, such as the independence and participation in a business, managing their own business etc. Consequently, for the investors of small and medium-sized enterprises, unlike those of large companies, it is not so important to compare the information in the financial statements, and much of the information requested for the public entities is less relevant for the small and medium-sized enterprises.

To the same extent, the literature contains opinions against a differential accounting. The main argument against the differential reporting is the need for universality. Thus, it is believed that the existence of different accounting rules will result in several identical images (Evans *et al.*, 2005). Moreover, the existence of a differential financial reporting will diminish the comparability and credibility of accounting information (Roberts & Sian, 2006). In addition, moving from one reporting system to another may be perceived as costly and burdensome. The opponents of differential reporting also argue that the existence of differential standards may result in a lower quality of some of these and, consequently, those who credit the institutions will levy a premium to compensate for the lower quality of the financial statements. In addition, there is even a fear of division of the accounting profession (Evans *et al.*, 2005).

On the other hand, there seem to be stronger arguments in favor of a differential reporting (Roberts & Sian, 2006). In fact, the important aspect is not the existence of the differential reporting (big GAAP versus little GAAP), but the way in which this shall be conceived.

If the idea of differential reporting is accepted, criteria must be decided for establishing the different categories of reporting entities. The qualitative (public accountability, separation between management and ownership, etc.) or quantitative (number of employees, turnover, total assets) are among the most frequently used criteria. In practice, however, other criteria may also be used, individually or in combinations: legal status of the business, branch of activity, listing on a stock exchange, owners' accountability etc. In addition, it must also be decided on what should be differential: the accounting and/or audit and/or the form of disclosure. A distinction shall also be made between the individual and consolidated financial statements.

As regards the differential accounting, a decision needs to be made as to whether the differentiation should be restricted to the information that should be disclosed or should also affect the recognition and measurement. In practice, the simplifications on the disclosure of information are accepted easier than the differentiation of the rules of recognition and measurement, as the latter has an impact on the reported outcome, reduces the comparability among enterprises and may lead to an increased risk of misinterpretation by the users of financial statements. The differential financial reporting may also target the audit requirements (the obligation to have an annual statutory audit, requirements on the signature of financial statements by certain persons, etc.), but also the form of publication and preparation of financial statements (detailed financial statements versus simplified financial situations, the exceptions to the publication of financial statements, the exceptions to the preparation of financial statements by the companies with no activity etc.).

2. DIFFERENTIAL REPORTING: ROMANIA'S CASE

After the fall of communism in 1989, three stages can be identified in the evolution of accounting in Romania (Ionaşcu *et. al.*, 2007):

- a) 1990-1998: the stage of creating an accounting system suitable for a market economy;
- b) 1999-2005: the stage of harmonization with the European directives and international accounting standards;
- c) 2006-to date: the stage of compliance with the European directives and international financial reporting standards.

In all these stages, for individual financial statements, to a larger or lesser extent, there have been and there still are elements of differential financial reporting. These have been mainly aimed at the composition of the financial statements and the level of details therein.

The first accounting regulation to include elements of differential financial reporting is the Methodological norm for the drafting and submission of the accounting balance sheet, approved through Government Decision no. 704/1993. This stated that the legal entities that carry out economic activities shall prepare annual accounting balance sheetⁱ (balance, profit and loss account and annexes) as follows:

- ✓ simplified system for the small and medium-sized enterprises; and
- ✓ basic system, the large enterprises.

However, the small and medium-sized enterprises have had the possibility to opt for the basic or the simplified system and in order to move from one category to another they had to meet the criteria set by law during two consecutive financial exercisesⁱⁱ.

From the accounting point of view, the difference was limited to the information disclosed in the financial statements, without targeting aspects dealing with the

recognition and measurement. In fact, the difference between the two systems was related to the more detailed structure of the basic system compared to the simplified one. The set of financial statements, however, had the same components, irrespective of the system: balance sheet, profit and loss account and notes (annexes). In our view, this situation is explained, first of all, through the French origin of our regulations and less through the intention of Romanian regulator to simplify the financial reporting for small and medium-sized enterprises, for which there were no identification criteria in the accounting regulations. Moreover, the company law 31/1990, provided different regulations over the existence of the censors. Thus, in the case of a joint stock company, the balance sheet and the profit and loss account had to be accompanied by the censors' report.

Between 1999 and 2005, the accounting goes through a new stage in its evolution in Romania, which is the harmonization with the European directives and the international financial reporting standards. In 1999ⁱⁱⁱ and 2001^{iv}, new accounting regulations were issued aimed mainly at harmonizing the accounting of large entities with the European Directive IV and the international accounting standards. The companies falling into their scope were initially established based on qualitative criteria (trading on the stock exchange, national interest and operation on the capital market), and later on based on quantitative criteria (turnover, total assets and average number of employees). By enforcing these regulations, the companies have been required to prepare new financial statements as well as a cash flows statement of changes in equity and also to apply principles of Anglo-Saxon origin as well as the substance over form principle and the materiality principle. Moreover, by assimilating the IASB conceptual framework, general criteria have been introduced for the recognition and evaluation of items in the financial statements. In addition, for the first time in our country, the companies that applied these regulations were required to audit their financial statements as well.

In 2002, the simplified accounting regulations were approved, harmonized with the European directives^v. These regulations have been applied by companies that did not exceed certain criteria related to size^{vi}, and by the companies that exceeded the size criteria but did not fall under the scope of the accounting regulations harmonized with the European directives and the international accounting standards. Moreover, these regulations concerned the micro-enterprises^{vii} as well. Unlike other companies that fell under the scope of these regulations and were bound to prepare the balance sheet, the profit and loss account and the explanatory notes, the micro-enterprises were only bound to prepare the balance sheet and the profit and loss account. Also, in 2000, the first regulations appeared concerning the experimental preparation of consolidated financial statements^{viii}. Although in theory the appearance of these regulations marks the differentiation between the individual and the consolidated financial statements, the consolidated accounting remained in an experimental stage until 2006, when the obligation to prepare consolidated financial statements^{ix} was introduced for the first time in Romania.

Starting with 2006, the accounting in Romania has entered the stage of compliance with the European directives and the International Financial Reporting Standards. Thus, by Order of the Minister of Public Finance no 907/2005, the companies were divided into those who were to apply the accounting regulations in line with the European directives^x and those which, additionally, for the information needs of the users, others than the state, had to (credit institutions) or could (institutions of public interest^{xi} other than credit institutions) apply the international financial reporting standards, starting with the 2006 financial year. Moreover, in order to ensure the compliance of national accounting regulations with the European Union regulations, the IFRS^{xii} continued to be implemented progressively. Thus, starting with the 2007 financial year, the credit institutions continued to apply the IFRS in preparing the consolidated financial statements. But, besides the credit institutions, the companies with securities traded on a regulated market have also been required to apply the IFRS in preparing their consolidated financial statements.

At present, the small and medium-sized enterprises in Romania fall under the scope of the accounting regulations in line with the European directives^{xiii}. These regulations include several aspects of differential financial reporting, both in terms of accounting and audit. Hence, the companies that fail to comply with certain size criteria prepare simplified annual financial statements including: the abridged balance sheet, the profit and loss account and the explanatory notes to the annual financial situations^{xiv}. Optionally, these companies can prepare the statement on the changes in their own capital and/or the statement of cash flows. Moreover, these companies are not bound to audit their annual financial statements.

3. LITERATURE REVIEW

Several studies analyzed various aspects of financial reporting for small and medium enterprises in the Romanian context. They were developed both before and after publication by IASB of the IFRS for SMEs, and most of them offer a theoretical approach.

As such, the possible benefits of an international financial reporting standard for SMEs in our country have been analyzed (Păunescu, 2006). From the perspective of our country's accession to the European Union, the author believed that a less complex international financial reporting standard for small and medium enterprises would be gladly embraced by the SMEs in our country. Moreover, the adoption at European level of the IFRS for SMEs developed by IASB would be helpful in improving comparability of financial reporting.

Furthermore, the difficulties that would be involved in the implementation of an international financial reporting standard for small and medium enterprises in our country have also been examined (Gîrbină & Bunea, 2007). The authors invoke the frequent changes in the international accounting referential and, implicitly, those of a

future international financial reporting standard for small and medium enterprises. Under such circumstances, companies would be forced to bear various costs, on a regular basis, which conflicts with the motivation of simplified reporting for small and medium enterprises, namely cost reduction.

Lungu *et al.* (2007) have conducted a review of the specialized literature on the possible impact of the IFRS for SMEs issued by IASB on practitioners and professional organizations. In addition, the content of the exposure draft developed by IASB has been reviewed.

The pros and cons of an IFRS for SMEs enterprises have also been analyzed (Tiron & Muțiu, 2008). Furthermore, the authors consider that regulation of accounting for small and medium enterprises is a national or regional problem, in the case of the European Union.

The advantages and difficulties of the implementation of international standards by small and medium enterprises in Romania have moreover been addressed (Feleagă *et al.*, 2008). The main advantages identified by the authors are the improvement of financial communication and the enhancement of the quality of information used by the management of entities. Difficulties would be involved by the translation of the international financial reporting standards into Romanian and by the training of professionals on their implementation.

Farcane & Popa (2008) have reviewed the role and objectives of IASB in developing a standard for small and medium enterprises, but also the reasons and the disadvantages associated to such standard.

Albu *et al.* (2010), in an exploratory study, examines the context of a possible implementation of the IFRS for SMEs in our country. The authors come to the conclusion that the implementation of the standard for small and medium enterprises developed by IASB is inevitable in our country, as long as the national standard setter does not develop high quality accounting standards.

Săcărin (2010) attempted to identify the attitude of those who had sent comment letters to the exposure draft to IASB's initiative of developing the IFRS for SMEs. Consequent to examining the 160 comment letters concerning the exposure draft of the standard, he concluded that most of the respondents (44%) had not expressed an explicitly favourable position to IASB's approach of developing the standard, 13% had not agreed with IASB's approach, whereas 43% had explicitly supported IASB's approach.

In our country, empirical studies on the need for differential financial reporting for small and medium enterprises are almost nonexistent. However, it is worth mentioning the study undertaken by Deaconu *et al.* (2009), in which, among other

things, the authors also tested the opportunity in our country of adopting the standard developed by IASB for small and medium enterprises. After questioning a number of accounting professionals, it has been found that an accounting standard, or accounting regulations, for small and medium enterprises is (are) welcome, but the adoption of the standard developed by IASB has not been accepted.

4. RESEARCH METHODOLOGY

The differential reporting elements existing in the current accounting regulations are not sufficient in our view, and we moreover believe that, in the case of small and medium enterprises, financial reporting generates unjustified costs.

The purpose of our study is to identify the attitude of accounting professionals in our country towards the financial reporting of small and medium enterprises. In order to achieve this purpose, we have developed a questionnaire consisting of 11 questions. The questionnaire has been sent to the email addresses of a number of 550 members of CECCAR (the Body of Expert and Licensed Accountants of Romania), randomly selected from the CECCAR Table. We have received 198 responses, of which 8 have been canceled for being incomplete (consequently, the response rate has been 36%). The responses were collected during 1-15 March, 2011. The responses have been statistically processed with a sampling error of $\pm 7\%$ at a confidence level of 95% and a total population of 40,000 chartered accountants. The sampling method is simple random sampling. The confidence level expresses the probability that the true value of an indicator should fall within the confidence interval. The most used confidence level is the value of 95%. It determines the interval between the highest value and the lowest value and eliminates the percentage of 2.5% of the extreme outliers in both directions. In other words, the confidence interval includes 95% of the possible values of the population located at the middle of the distribution.

The sample, consisting of 190 respondents, has the following demographics (see Table 1):

Table 1. Sample demographics

Information	Women	Men
Number of respondents	137 (72.1%)	53 (27.9%)
Age	Between 20 – 30 - 21.2% Between 30 – 50 – 61.3% Over 50 – 17.5%	Between 20 – 30 - 5.7% Between 30 – 50 – 60.3% Over 50 – 34%
Experience	Less than 10 years – 43.8% Between 10 and 20 – 32.1% More than 20 years – 24.1%	Less than 10 years – 20.8% Between 10 and 20 – 50.9% More than 20 years – 28.3%

5. RESEARCH RESULTS

In 2009, IASB published the IFRS for SMEs. This standard is the result of a project that began in 2003, even against the will of some of the members of the international standard setting body, who considered that such a project strayed away from IASB's main mission, namely that of developing standards for listed companies (Nobes & Parker, 2008: 290).

The standard published by IASB in July 2009 is intended for entities not having public accountability, but who publish, for external users, general purpose financial statements. In order to identify the companies falling within the scope of the standard, IASB selected qualitative criteria, yet left at the discretion of regulatory authorities and standard setters in each country to determine the entities required or permitted to apply the IFRS for SMEs.

Unlike the IASB, the Fourth Directive of the European Economic Community uses quantitative criteria to determine the companies for which certain simplifications of financial reporting are stipulated: total assets, turnover, and average number of employees during the year (Article 27). Similarly, in our country, it is still the quantitative criteria that are used in order to identify the companies preparing simplified financial statements.

After statistical processing of the responses, we have found that most respondents (87.4%) consider quantitative criteria as more appropriate than the qualitative criteria established by the IFRS standard for SMEs (12.6%).

Concerning the reference to quantitative criteria, opinions are divided between the preference for the criteria under the Order of the Minister of Public Finance (OMFP) No 3055/2009 (46.3%), and for the criteria established by the European Commission (41.1%). Women rather prefer the criteria stipulated in the national legislation (52.6% of the female respondents), while men are in favor of those established by the European Commission (49.1% of the male respondents).

The preference for quantitative criteria is consistent with the existing trend in the European Union, where most Member States have introduced quantitative criteria in their national legislations for identifying small and medium enterprises. Although qualitative criteria are very easy to apply, their determination is not free of difficulty (Roberts & Sian, 2006: 7). For instance, the average number of employees may be distorted by an increased number of part-time and occasional employees or by outsourcing some activities, whereas the value of assets is influenced by the measurement basis used.

Most respondents consider that is necessary to establish size criteria depending on the particularities of the sector to which the enterprise belongs (60.5%). With insignificant

variations, this percentage has been found in all age groups, regardless of gender and professional experience. As mentioned earlier, we believe that the current regulations in our country do not contain sufficient simplification options for small and medium enterprises and, consequently, the latter are forced to bear unjustified costs associated to financial reporting. Therefore, we have sought to identify the simplification level provided by the Order of the Minister of Public Finance (OMFP) 3055/2009 for small and medium enterprises.

Analyzing the responses, we have found that 52.6% of the individuals surveyed believe that the simplification level provided by the national regulation is not reasonable, but low and very low. Out of this percentage, most respondents are aged between 20 and 30 years (59.5% of the people in this group), and between 40 and 50 years (59.1% of the people in this group). The regulation is deemed appropriate rather by specialists having an experience of 10-20 years (54.9%).

The responses received show that it is necessary to simplify financial reporting for small and medium enterprises. This can be achieved by amending the Order of the Minister of Public Finance 3055/2009 or by implementing, as it is, the IFRS for SMEs.

We have attempted to identify which would be, in the opinion of accounting professionals in our country, the best standardization solution for the accounting of small and medium enterprises.

The solution favored by most accounting professionals is to amend the Order of the Minister of Public Finance (OMFP) 3055/2009 by introducing several simplifications for small and medium sized enterprises (43.2% of the respondents have been in favor of this solution). The stand-out group was aged between 30 and 40 years (54.2%), having a professional experience of 10 to 20 years (50.7%). Conversely, very few are those who believe that the implementation of international financial reporting standard for small and medium sized entities is an appropriate standardization solution in Romania (4.2%).

Nevertheless, two other standardization solutions have been considered appropriate by some respondents. One group is represented by those who favor the development of differential regulations, in accordance with the European directives, depending on the size of the enterprise (20.5%), and another one believes that the best solution would be to develop a national accounting standard converging with the IFRS standard for SMEs, accompanied by a Chart of accounts and an implementation guide (20%).

On average, 7 out of 10 respondents (65.8%), regardless of age, gender, and professional experience, believe that, for SMEs, the accounting treatment should, first of all, take into account the Tax Code rules. Such a response rate confirms the prevalence of a high degree of connection between accounting rules and tax rules. In

the case of SMEs, such connection degree is much stronger than what might be determined by reading the national regulation. Although OMFP 3055/2009 provides for the possibility of a reasonable disconnection, accountants of small and medium enterprises prefer to keep the accounting policies consistent, as far as possible, with the tax rules. The reasons are multiple: avoiding additional work arising from the reconciliation between the accounting result and the tax result, the difficulty to convince administrators and owners of small businesses to bear higher costs associated with software adjustments for ensuring the implementation of accounting rules appropriate for the business, but different from tax rules, the education level of accountants of small businesses concerning the importance of financial reporting, the poor enforcement of compliance with accounting rules for entities that are not subject to auditing requirements, etc.

Regarding the main user of accounting information in the case of an SME in Romania, the following hierarchy of users is emerging: tax authority (42.6%), enterprise management (22.1%), and business capital providers (17.9%).

We have found that 7 out of 10 respondents believe that accounting regulations for SMEs should be based on detailed rules.

Traditionally, Romanian accountants, and especially the accountants of small and medium enterprises, are dependent on detailed rules, on regulations that should provide, through the Chart of accounts, the representation of transactions and events. Recourse to the conceptual framework and the development of professional judgments based thereon are very scarcely present.

It is noteworthy that most respondents, although they feel the need to exercise professional judgment, do not give up the idea of a regulation based on detailed rules. This situation is explained by the insufficiency and inconsistency of national regulations, a context where use of professional judgment is essential.

We have found that respondents having an experience of up to 10 years reject more willingly the idea of detailed rules than the idea concerning professional judgment. One explanation may be that the new generations of professionals have received initial training where the study of IFRS and the development of professional judgment were given an utmost importance.

Most of the respondents who had believed that the accounting treatment of SMEs should take into account, first of all, the Tax Code rules have identified the tax authority as the privileged user (37.6%).

Analyzing the answers, we have found that 52.6% of the surveyed people believe that the degree of simplification provided by the national legislation is not reasonable, but low and very low. Most of these are aged between 20 and 30 years (59.5% of the respondents in this group), and between 40 and 50 years (59.1% of the respondents in

this group). The regulation is deemed appropriate for SMEs rather by professionals having an experience of 10-20 years (54.9%).

44.4% of the respondents who have argued that the current form of the national regulation is not appropriate for the needs of SMEs have believed that the best solution of standardization is to amend this regulation by introducing simplified rules for SMEs. The respondents who expressed this opinion are mostly persons aged between 30 and 40 years (59.3%), and over 50 years (46.7%). 49% of the women and 34.8% of the men have supported the solution of amending the existing regulation.

Out of the respondents who do not consider the current regulation appropriate, 23.6% have opted for the solution of developing a national accounting standard converged with IFRS for SMEs. Proponents of this solution are mostly young people (42.9% of respondents in this age group), as well as people aged between 40 and 50 years (37.5%).

Among those who have argued that the current legislation is appropriate for the needs of SMEs, 59.1% have considered that the quantitative criteria existing in the regulation are the most appropriate. 78 out of the 190 respondents have considered that quantitative criteria established at EU level are more appropriate for SMEs. Out of the latter, 37.2% favor the development of separate SME regulations in accordance with European Directives, while 16.7% support the development of a standard converged with IFRS for SMEs.

CONCLUSIONS AND LIMITS

Our research was aimed at identifying the attitude of professional accountants in Romania about a simplified financial reporting system for small and medium-sized enterprises. For this purpose, we prepared a questionnaire that was sent by email to 550 expert accountants that had been randomly selected from the CECCAR Table. The analysis of the 190 answers we received revealed that 52.6% of the respondents consider that the current regulations do not provide for a reasonable level of simplification for the small and medium-sized enterprises and, consequently, a more simplified reporting system is needed for the SMEs.

The majority of the respondents believe that the entities bound to apply the simplified financial reporting system should be established based on quantitative criteria (turnover, average number of employees, total assets). As regards the size of the criteria, half of the respondents expressed preference for the values stated in the OMPF (Order of the Minister of Public Finance) 3055/2009. Moreover, 4 in 10 respondents reckon that the accounting of SMEs should be standardized by simplifying the OMPF 3055/2009, whereas only 4.2% of the respondents consider that the IASB standard could be applied as such. In our view, this reluctance over the

IASB standard is mainly because in our country we did not experience a large scale implementation of the international financial reporting standards, these only being mandatory for the consolidated financial statements of publicly traded companies. Two thirds of the respondents believe that the accounting treatments for SMEs should take into account, first of all, the fiscal rules. This indicates that although the premises for separating the accounting and the taxation have been created in principle, in practice, the accounting treatment is assimilated to the fiscal one. This situation, in our view, is no surprise, because 42.6% of the respondents considered that the main user of accounting information about the small and medium-sized enterprises is the tax authority. On the other hand, 2 in 10 respondents consider either the management as the main user or those who provide the funding as the main user.

The accounting regulations for small and medium-sized enterprises should be based on detailed rules, which indicate that most of the professional accountants depend on a regulation to offer them through the chart of accounts the representation of the transactions and events (7 in 10 respondents).

We have found that respondents having an experience of up to 10 years reject more willingly the idea of detailed rules than the idea concerning professional judgment. One explanation may be that the new generations of professionals have received initial training where the study of IFRS and the development of professional judgment were given an utmost importance. In the Romanian business environment young professionals have the chance to occupy management positions within top companies.

Our study is limited because we only tested the opinion of one of the parties involved in the financial reporting of small and medium-sized enterprises, the professional accountants. Moreover, the generalization of the results must be made with cautiously, one of the limits being the sampling error of $\pm 7\%$ for a level of trust of 95%.

Despite all these limits, we believe that our study may be of interest both for the academic environment and for those who are involved in the financial reporting of small and medium-sized enterprises: the accounting standard setter, preparers, users and last, but not least, the professional accountants. Moreover, we consider that this study may be used as a reference for further research into the financial reporting for small and medium-sized enterprises in our country.

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ⁱ At that time, the concept of financial statements was assimilated to the concept of balance sheet.

ⁱⁱ Note that, at that time, neither the Accounting Law no. 82/1991 nor the Regulation for the enforcement of the accounting law, approved through the Government Decision 704/1993, stated the criteria for the identification of small and medium-sized enterprises. The Government Decision no. 25/1993, however, identified the small and medium-sized enterprises based on turnover and number of employees:

a) up to 25 employees for a small enterprise;

- b) between 26 and 200 employees for a medium-sized enterprise;
c) a turnover between RON 10 million and 2 billion, for both categories of enterprises.
- iii Order of the Minister of Public Finance no. 403/ 1999 on the approval of Accounting regulations harmonized with the European Economic Communities' Directive IV and the International Accounting Standards.
- iv Order of the Minister of Public Finance no. 94/ 2001 on the approval of Accounting regulations harmonized with the European Economic Communities' Directive IV and the International Accounting Standards.
- v Order of the Minister of Public Finance no. 306/ 2002 on the approval of Simplified accounting regulations harmonized with the European directives.
- vi The regulations were applied by the legal entities that fulfilled at least two of the criteria:
a) turnover up to EUR 5 million;
b) total assets up to EUR 2.5 million;
c) average number of employees up to 50.
- vii At that time, under the Romanian legislation, a micro-enterprise was considered as a company with up to 9 employees (Law no. 133 / 1999 providing incentives for private investors that establish or develop small and medium-size enterprises)
- viii Order of the Minister of Public Finance no. 704 / 2000 on the approval of the Norms for the consolidation of accounts.
- ix Order of the Minister of Public Finance no. 1752 / 2005 on the approval of Accounting regulations in line with the European directives.
- x Order of the Minister of Public Finance no. 1752 / 2005 on the approval of Accounting regulations in line with the European directives.
- xi The category of institutions of public interest included:
▪ credit institutions;
▪ insurance, insurance-reinsurance and reinsurance companies;
▪ entities regulated and overseen by the National Securities Commission;
▪ companies with securities traded on a regulated market;
▪ national companies and enterprises;
▪ legal persons that were part of a group of companies and were within the consolidation perimeter of a parent company that applied the international financial reporting standards;
▪ legal persons benefiting from grants or state-guaranteed loans.
- xii Order of the Minister of Public Finance no. 1121 / 2006 on the enforcement of the international financial reporting standards.
- xiii Order of the Minister of Public Finance no. 3055 / 2009, with subsequent amendments and supplementations, for the approval of Accounting regulations in line with the European directives.
- xiv Unlike these companies, the legal persons that as of the date of the balance sheet exceed the limits of two of the following three criteria (hereinafter referred to as size criteria): total assets: EUR 3,650,000, net turnover: EUR 7,300,000, average number of employees during the financial exercise: 50 prepare annual financial statements including: balance sheet, profit and loss account, statement of changes in equity, statement of cash flows and explanatory notes for the annual financial statements.