

The Convergence of National Accounting with the International Financial Reporting Standards-Comparative Study Regarding the Accounting Reform in China and Romania

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The progress made by China in recent years has attracted worldwide attention and, after a century of silence, it has regained its leading position. In the context of economic development, China developed an accounting system convergent with the International Financial Reporting Standards which is appreciated by all the international organizations in the field. Romania, after the fall of the communist regime, began the reform of the accounting sector. If at first the steps taken in the field were few, later on, in the context of EU accession, Romania became bolder. Currently, bank societies and those listed on the Bucharest Stock Exchange are required to prepare financial statements in accordance with IFRS. In the present study, we will try to make a comparative analysis of the reform's situation in the two countries: Romania and China.

JEL Codes: M41

1. Introduction

Globalisation in the field of accounting is an on-going phenomenon. In this context, the harmonisation and convergence of international accounting are phenomena which influenced the development of international accounting.

The international accounting harmonization efforts began in 1959 when Jacob Kraayenhof presented for the first time the differences between countries and the need for the unification of the accounting principles. With the establishment in 1967 of AISG, the first milestone in the harmonization process takes place, aimed at analysing and reducing the accounting differences in the USA, UK and Canada and, with the establishment of the IASB, in 2001, the evolution of international accounting move to a new phase: that of convergence. The movement from international harmonisation towards global convergence results in the global implementation of IFRS, so as to obtain financial statements of the highest quality.

The main reason for conducting this study arises from the need for the adoption of (convergence with) IFRS: the comparability of the financial information which is absolutely necessary because of the globalisation of the capital markets. The scientific research is based on specialised literature, books on accounting history, scientific articles on the convergence of Chinese and Romanian accounting with IFRS.

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The present study is organised into two parts: the first part contains a historical overview of the evolution of the two accounting systems and the second part contains a comparative study on the convergence of the accounting standards in China and Romania with IFRS.

2. Literature Review

Starting from the objective expressed by IASB and FASB in the Memorandum of Understanding, we can say that accounting convergence is “the process through which the identification and elimination of the disagreement points between national accounting legislations, European directives and international accounting standards was sought, as well as the reduction of the differences existing between the American accounting standards and the accounting referential of IASB” (Horomnea, 2012). Mihai Ristea (2006) includes convergence in the definition of globalisation as follows: globalisation = convergence + cooperation + regionalisation. Tay and Parker (1990) define convergence in terms of uniformity, Qu and Zhang (2010) in terms of standardisation. Peter Wong (2004) defines convergence as a process which has as purpose the adoption of the international standards.

Furthermore, a distinction must be made between the terms “adoption of IFRS” and “convergence with IFRS”. “Adoption of IFRS” refers to giving up national rules and replacing them with IFRS requirements while “convergence with IFRS” refers to a gradual change of national accounting rules in order to become closer to IFRS. China is an example in this respect. After many years of work, the Ministry of Finance of the Republic of China launched, on February 15th, 2006, a new set of accounting standards for enterprises (ASBEs), consisting of a basic standard and 38 specific standards which bring closer the IFRSs to the Chinese standards. In April 2010, these standards were revised and improved in accordance with the revisions and improvements of IFRS in order to further the convergence. On these standards, Sir David Tweedie, Chairman of the International Accounting Standards, stated: “The adoption of the new Chinese accounting standards system brings about substantial convergence between Chinese standards and International Financial Reporting Standards (IFRSs), as set by the International Accounting Standards Board (IASB)... The integrated financial reporting system based on IFRSs culminates three decades of accounting reform ...”

The European Union contributes as well to the IASB project towards achieving international convergence in accounting, IFRS adoption in Europe being one of the most important steps in this field. The stated objective of the EU decision is to seek a high level of transparency and comparability of financial statements and a capital market that works well in the Community (Gorgan et al, 2011). Thus, by adopting Regulation 1606/2002, the member states are required to prepare financial statements consolidated in accordance with IFRS starting with the 1st of January 2005.

With this decision, Europe adopted a new accounting language, the process of IFRS adoption in the EU being a complicated one, with a strong political influence and which involves all the groups of society. Ahmed Hassan, country managing partner of Deloitte Romania, believes that the implementation of the International Financial Reporting Standards can influence almost all the functions of a company, from the financial reporting systems to the internal control mechanisms, the fiscal framework, the treasury, management remuneration system, cash flow management and the legal status.

For Europe, the transition towards international reference becomes a real “cultural revolution”. At the European level, the differences between the two accounting cultures

(Anglo-Saxon and continental European), can cause difficulties because by applying IFRS, the conservation of local practices in the countries which do not identify with the Anglo-Saxon culture is possible.

3. The Methodology and Model

In this study we will try to answer the following research questions:

Research question no. 1: what is the evolution of the Chinese reform?

Research question no. 2: what is the evolution of the Romanian reform?

Research question no. 3: to what extent has China made efforts towards the convergence of the national accounting system with the international one (IFRS)?

Research question no. 4: to what extent has Romania made efforts towards the convergence of the national accounting system with the international one (IFRS)?

The methodological, theoretical and scientific support is constituted by the universal research methods: the dialectical method of acquiring knowledge (analysis, synthesis, deduction) and the methods of rational knowledge (observation, reasoning, selection, comparison). For the subject of the present study we have used the following research tools: online research, electronic databases available through the library, books, magazines, legislation.

We believe that through the comparative study of the two accounting systems (Chinese and Romanian), which at one time have had the same destiny (influenced by the Soviet system), we will know the efforts made by the two countries in terms of convergence. The novelty of this research derives from the selection of the two accounting systems (one European and one Asian) as the subject of research, two systems which, although have been dominated by the same accounting culture at one point, have had different paths as a result of their different economic evolution.

4. A Brief Evolution of the Accounting Reform: China vs Romania. The Convergence of Chinese and Romanian Accounting with the International Financial Reporting Standards

In China, accounting has its origins in ancient times, being strongly influenced by the philosophy and economy of the Chinese Empire. The first governmental accounting records date back to the time of the Shang Dynasty (1766-1122 BC) and during the Chao Dynasty (1122-256 BC) the Chinese accounting practices were the most advanced of their time: the currency is used as medium of exchange and the internal control , budgeting and auditing procedures were unmatched in the entire ancient world (Dobroțeanu L., 2005).

During the same period of time but in the western part of China, the first complete single entry bookkeeping system was developed. The Opium War of 1840 had influence on Chinese accounting in that it started to introduce Western accounting methods and the financial reporting were to be done using the Gregorian calendar (Dobroțeanu L., 2005).

Starting with 1911, the Chinese accounting system underwent changes, depending on the economic changes that had occurred. After the Qin Dynasty was overthrown and the feudal economic system began to disappear, Sun Yan-sen, the first president of China, wanted to replace the inefficient governance of kings with a modern Chinese state, by integrating western elements among the traditional ones. Thus, he introduced the separation of powers: executive, legislative, judicial, to which he added the power of examination (which provides

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access to the public service) and the power of control (which checks the government from a financial perspective) (Hofstede *et.al*, 2013).

From an economic point of view, foreign investors began coming to China, which led to a progressive adoption of western accounting. In 1912, the accounting law is published and a little later, in 1918, the Chinese government issued the Provisional rules for accountants (Solas and Ayhan, 2007), created the position of accounting expert and improved accounting education in the academic environment. After the People's Republic of China was established in 1949 and all the productive resources became the property of the state, the accounting system of the Soviet Union, characterised by rigidity and uniformity, was exported to China and used as an information and reporting system for implementing the state's economic policy.

Leaving behind the influence of the "uniform account system" of Soviet origin, China managed to achieve a set of standards convergent with IFRS, these efforts being omitted by accounting researchers. Thus, the convergence of the Chinese accounting standards with IFRS represents another important reference in the international accounting harmonisation process, after the event of 2005 when IFRS was adopted in the European Union (Lee et al, 2013).

It all began in 1978, when China opened its doors towards the West, towards international trade and investment under the form of export processing zones (also known as SEZs), (Yueh, 2011). China became increasingly sought after by foreign investors which meant that direct investment soared from year to year.

In an attempt to shift from a centralised economy to a market economy, China took a gradual approach. After the implementation of the reform and opening towards the exterior, in these 35 years, China's economy recorded an accelerated development, one which amazed the whole world. China's impressive economic growth has raised its importance in the world economy. (Lee et al. 2013). Thus, before applying this policy, China's economy was ranked 10th worldwide and, in 2010, it became the second economic power of the world. The share of China's economy in the world economy grew from 1.8% in 1978 to 11.5% in 2012 and, with the beginning of the international financial crisis, China became one of the key players in boosting the recovery of the global economic with a contribution of over 20% of global growth.

The transition from a centralized economy to a market economy, diversified ownership, the opening of the economy towards the west by attracting foreign investment (Ding, 2000), triggered the development of reforms in accounting. But any reform begins with a transition period. The same thing happened in the case of the Chinese accounting reform. The period between 1978 and 1991 represents the transition and construction period of a new accounting system - socialist commodity economy.

China started on the road of accounting convergence on January 6, 1980, when the Ministry of Finance established the Accounting Society of China. This organization is formed both of scientists as well as of practitioners and aims to organise and promote the academic and scientific activity in the field of accounting. The most important event is no doubt the promulgation of the Accounting law, five years later, through which the traditional accounting practices were changed.

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But the “great leap forward” is represented by the forming in 1988 of a group of specialists which had to prepare the project regarding the development of accounting standards convergent with the International Financial Reporting Standards (IFRS). Thus, from a socialist commodity economy, it transitions to a socialist market economy. As a significant participant in the global economy, China devoted a considerable period of time to the harmonisation of its accounting practices with the standards accepted worldwide (IFRS).

The period between 1992 and 1997 represents, in China’s accounting history, the period in which a new accounting system called the “1992 Accounting System” was built, when the Ministry of Finance issued the “Accounting Standard for Business Enterprises” (Basic Standard). These basic standards represent the conceptual framework of Chinese accounting, designed to guide the development of new accounting standards which would harmonise the Chinese accounting practices with the international ones (Choi and Meek, 2011). In addition to these standards, eight specific accounting standards were developed.

In 1998, the “Accounting System for Joint Stock Limited Enterprises” came into effect (1998 Accounting System). In the period between 1998 and 2000, ten specific standards were gradually adopted. These replaced the standards of 1992 so that the disparities between the Chinese standards and IAS eliminated.

Between 2001 and 2006, 16 specific standards were developed (2001 Accounting System), out of the 30 proposed, which replaced those from 1998 and in 2006, after many years of work, the Ministry of Finance of the People’s Republic of China launched on February 15th 2006, a new set of accounting standards for enterprises (ASBEs), consisting of a basic standard, 38 specific standards. Of the 38 standards, 16 are revisions of previously existing standards and 22 are newly created. “China’s approach is a principles-based approach to translate the new rules into its own code, the Chinese Accounting Standards System” (Wang and Campbell, 2012). On July 1st 2014, the 39th standard also takes effect, “Fair value measurement”, which proves the willingness of the Chinese setters to continue with convergence.

Although between the new standards adopted in 2007 and IFRS there were major differences regarding the definition and disclosure of related party transactions, business combination between entities under common control and fair value, the accounting normalization authorities of China expressed the optimism regarding the improvement of the quality of financial reporting. Although ASBEs and IFRS are based on similar principles and the subsequent revisions bring the Chinese accounting standards closer to the IFRS referential, the Chinese accounting standards should not be considered translations of the international referential (Wang and Campbell, 2012).

As a result, starting with 2007, all companies which traded type A shares on the stock market were required to prepare financial statements in accordance with PRC GAAP. Those which traded type B shares prepared financial statements in accordance with IFRS and companies which trade type A and type B shares prepared financial statements in accordance with both PRC GAAP and IFRS.

Unlike the countries of Western Europe, the accounting literature in Romania didn’t begin its development until the nineteenth century. Initially, the first works were translated from French and German. Later on, Romanian works adapted to the practices of those times appeared. The first work in this respect belongs to E.I. Nechifor and appeared in 1837 under the name of “Pravila Comerțială” (“Trading Rule”). Although it mainly describes the Romanian trade

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practices of the time, it is the first to present information on double entry bookkeeping. Between 1900 and 1947, an impressive leap in quality accounting is known but, unfortunately, 1949 became a tough year for Romanian accounting.

The communist period soon follows, a period when Romania, similar to China, applied until 1989 a „uniform accounting system” aimed at providing information for statistical purposes and for the planning made at national level (Calu, 2005). After the fall of communism, the Romanian accounting reform is channelled into two directions: compliance with European directives and the adoption of the international financial reporting standards.

In the literature of the field, there are many opinions regarding the phasing of the accounting normalisation evolution process in Romania. During the period between 1990 and 1996, also known as “the new phase of the accounting system”, the Romanian accounting system unburdens from the Soviet influence. The transition to the new type of economy required the beginning of the accounting reform. The period between 1990 and 1993 was an intermediary one, in which the old accounting system was embellished without any essential changes being made (Horomnea, 2010). The specialist from the Ministry of Finance, the Romanian accounting normalisation body, proceeded to thoroughly study the Fourth European Directive due to Romania’s political desire of integration into the European Union while benefiting from the experience exchanges in France, Germany and the UK. After a long debate regarding the choice of an accounting system as a source of inspiration, they turned to the French-inspired model while taking into account the following factors: technical and political, cultural and linguistic, economic, socio-political (Khouatra, 2004).

During this period, the most important achievement remains the development of the accounting law of 1991 which took effect in January 1994. The new aspects presented by the Accounting Law refer to a certain flexibility and to the diverse options in the choice of methodology, in setting the accounting objectives in order to give a true and fair view of the assets, of the financial situation and of the results, in the new assessment principles, in highlighting the importance of inventory, in considering accounting as a tool which helps one know, manage and control the assets and the result, in the expenditure and revenue management according to their nature (Farcane, Coteleş, 1999).

During the period between 1997 and 2000, the Development program of the accounting system in Romania was launched, this time, the Romanian normalisers redirecting it towards the Anglo-Saxon model. The purpose of this project is the harmonisation of accounting in Romania with the European directives and the international accounting standards.

In order to implement this program, from a legal standpoint, this step resulted in the emergence of Order no. 403/1999 on the approval of the accounting regulations harmonised with the Fourth Directive of the European Economic Community and with the International Accounting Standards. It „gave the signal, in Romania, for moving towards the harmonisation of the national accounting system with the European directives of the field and the alignment with the International Accounting Standards, situation resulted from the economic globalisation process and from the development of the capital market” (Pântea, 2006).

The regulations of this order were experimentally applied in 2000 on a number of 13 commercial societies and national companies and were audited by major international auditing firms. The changes proposed by this order were major: completion of the financial statements with the cash flow statements, the statement of changes in equity, annexes, the

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emergence of the concept of deferred taxes, substance over form, the production of consolidated financial statements.

Between 2001 and 2004, against the background of EU accession, the prerequisites for the application of the international accounting standards were created. This phenomenon was designed by the Ministry of Finance to be carried out as a gradual process (Ionaşcu şi al., 2006). In 2001, Order 403 was repealed and Order no.94 on the approval of the accounting regulations harmonised with the Fourth Directive of the European Economic Community and the International Accounting Standards took effect, which provided that the large enterprises which met the criteria were required to prepare reports according to the international accounting standards. This order resulted „from the combining of the Fourth Directive of EU with IAS which led to certain exceptions from the full application of IAS” (Dumitrescu, 2006).

Unfortunately, studies have shown that financial reports did not improve but, instead, a good level of knowledge of these standards could be provided (Bunea, 2006). For the institutions which did not fit the criteria laid down by Order 94/2001, Order 306/2002 on the approval of the simplified accounting regulations harmonised with EU directives was approved, according to which financial statements would be prepared harmonised with the European directives.

The period between 1999 and 2005 is seen as a mix between European Directives and IFRS (Săcărin, 2006). In 2005, the accounting reform in Romania enters another stage. Orders 94/2001 and 306/2002 are repealed and replaced by Order 1752/2005 on the accounting regulations compliant with European directives. Starting with the financial statements of 2005, the credit institutions apply IFRS and starting with the financial year of 2006, entities had to prepare financial statements in accordance with the European directives and only the ones of public interest would published them in accordance with IFRS (Ionaşcu and al., 2006). During this period, Romania faced significant obstacles such as: the complicated nature of the various standards, connecting accounting to taxation, the disagreement with the IFRSs on significant issues, insufficient guides for the first time adoption of the IFRSs, limited capital markets (Larson, Street, 2004).

Subsequently, this order is repealed and replaced with Order 3055/2009 on the approval of the Accounting regulations compliant with the European directives, the last, but one step in the compliance process of the Romanian regulations with the European directives. With the repeal of the Fourth Directive and its replacement with Directive 34/2013, this order was replaced with OMPF 1802/2015.

From the point of view of IFRS adoption, the companies listed on the stock market must prepare consolidated financial statements in accordance with them starting with the financial year which ended on December 31st, 2007 (OMPF 1121/2006).

As a result of the national strategy for the adoption of the IFRS standards in Romania and of the agreement concluded with the International Monetary Fund, their scope was extended. Starting with the financial year of 2012, banks were required to apply IFRS and, starting with 2013, so were the companies listed on the Bucharest Stock Exchange (Order 881/2012). The transition to IFRS is one of the most important projects and one of the biggest challenges faced by the Romanian banking system.

The International Convergence of Accounting Standards has become an irresistible trend from a historical point of view (Zhang, Liu, 2010). According to Qu and Zhang (2010), the overall level of convergence between PRC GAAP and IFRS, based on the matching

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coefficients, is of 0.7497. This fact is interpreted by the two researchers as evidence of a high degree of convergence which is recognised as well by the International Accounting Standards Board (IASB). The most important differences are caused by the economic environment, the legal environment, the cultural environment and the quality accounting staff (Zhang, Liu, 2010). According to the two authors, the economic environment is an important element which influences the international convergence of China's accounting (and, in our opinion, it is true for Romania as well). China's economic model, similar to the Romanian one, differs from the Western model. China represents the socialist market economy which is based on public ownership while the Romanian economic model is represented by the market economy but one which is different from that in Western Europe.

Furthermore, both in Romania and in China, the accounting normalisation entity is the Ministry of Finance, which, through its structure is specially constituted for such tasks. In both countries, the accounting profession has a short history, with the communist period leaving its marks. We agree that the quality of the professional accountant should be improved through the organisation of courses for this field. Being countries heavily influenced by traditionalism, the lack of professional judgement can be felt.

Ionaşcu et al. (2011) consider that the implementation of the IFRS standards in Romania cannot be achieved in a manner comparable to that of the developed EU countries, because their application is influenced by the local context, among the factors being: the connection of accounting to taxation, the absence of active markets to help determine the fair value, the managers' attitude towards risk and the uncertainty in producing accounting assessments, the employees' inexperience and necessary training to apply IFRS, the high costs required to implement IFRS, the difference in professional judgment required in the application of IFRS, the lack of motivation for a complete application, the quality of financial audit.

Regarding the quality of financial reporting, it is not only determined by the accounting standards but by the motivation of firms to provide high quality financial statements as well (Lee et al. 2013). The issue of IFRS implementation in different countries has been and still is largely addressed in the literature of the field. Although at a declarative level, companies support the compliance with IFRS, there are still significant international differences which arise in the financial reporting practice and in the quality of financial reporting (Gorgan, 2013).

The empirical studies (Qu et al. 2012, Wang and Campbell, 2012; Lee et al. 2013) tried to present the quality of the financial information after the introduction of the accounting standards in the case of the companies listed on the stock exchange.

One of the most extensive researches is the one carried out by Wang and Campbell (2012), which used Tobin's Q Analysis on a sample of 1,329 companies listed on the stock exchange, for the period between 1998 and 2010. This period was divided into two: the period before the adoption of the standards (1998- 2006) and after their adoption (2007-2010). Although the author believes that IFRS implementation has not resulted in convincing changes in the manner of reporting, its adoption is not detrimental to the economy and the figures prove it: "China's GDP has grown from US\$ 1325 Billion in 2001 to US\$ 7318 billion in 2011, which represents a year-over-year growth rate of roughly 19%; the stock market capitalization increased from US\$ 524 Billion in 2001 to US\$ 3389 in 2011, representing a year-over-year growth rate of 21%; the value of stocks traded increased from US\$ 449 Billion in 2001 to US\$ 7671 in 2011, representing a year-over-year growth rate of 33%" (Radhakrishnan, 2014).

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However the majority of researches reveal a significantly higher quality of the accounting reports. Hence, the presentation of high-quality financial reporting is a particularly valuable tool for companies, in order to attract resources to finance their own equity: “This means that IFRS convergence has helped China achieve more balanced, equitable and sustainable growth as well as to integrate further into the global economy. It also means that, as the institutional environment of Chinese stock exchanges continues to develop, the benefits of IFRS convergence will grow.” (ACCA, 2013)

In Romania, Albu et al. (2010) believe that, although recently there have been significant changes: users have started to demand more often qualitative rather than quantitative pieces of information, auditors have become more demanding and professional accountants are more qualified, the IFRSs are not fully understood and properly applied in practice.

In the study conducted by Gorgan (2013), by assessing the compliance level of the financial statements drawn up by the companies listed on the Bucharest Stock Exchange according to the disclosure requirements set by IFRS with the help of the index information, it was found that there is an acceptable level of convergence between the Romanian national standards and IFRS but a low level regarding the accounting practice.

The following year, Gorgan et al. (2014), continued the study on the application of IAS 38 by the Romanian companies listed on the Bucharest Stock Exchange, which proved that the differences persist.

A study conducted by the authors, which focused on the analysis of the level of financial information disclosure in accordance with IFRS on the overall results presented by the Romanian companies listed on BSE as a result of the adoption of IFRS for the first time (it refers to the financial statements of 2012), has proven an acceptable level of compliance (table no. 1). To obtain these results, we calculated the index of disclosure by using the unweighted index method (PC):

$$PC_j = \frac{\sum_{i=1} X_i}{R_j}$$

Where:

PC_j = total compliance score for each company, $0 \leq PC_j \leq 1$

X_i = the level of compliance for each standard

R_j = the total number of standards applicable to each j company

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Table 1: The Disclosure Index for Romanian Companies in the Financial Reports of 2012 in Accordance with IFRS

Denumire	Indicele de prezentare a informațiilor (metoda PC)
AEROSTAR S.A.	0,74
ALTUR S.A.	0,86
ALUMIL ROM INDUSTRY S.A.	0,74
AMONIL S.A.	0,71
ANTIBIOTICE S.A.	0,75
ARMATURA S.A.	0,75
ARTEGO SA Tg. Jiu	0,83
BERMAS S.A.	0,79
BIOFARM S.A.	0,74
BOROMIR PROD SA BUZAU (SPICUL)	0,81
C.N.T.E.E. TRANSELECTRICA	0,81
CARBOCHIM S.A.	0,72
CASA DE BUCOVINA-CLUB DE MUNTE	0,78
CEMACON SA CLUJ-NAPOCA	0,77
COMCM SA CONSTANTA	0,78
COMELF S.A.	0,73
COMP A. S. A.	0,84
COMPANIA ENERGOPETROL S.A.	0,88
CONDMAG S.A.	0,79
DAFORA SA	0,69
ELECTROAPARATAJ S.A.	0,49
ELECTROARGES SA CURTEA DE ARGES	0,67
ELECTROMAGNETICA SA BUCURESTI	0,78
ELECTROPUTERE S.A.	0,87
FARMACEUTICA REMEDIA SA	0,78
GRUPUL INDUSTRIAL ELECTROCONTACT S.A.	0,67
IMPACT DEVELOPER & CONTRACTOR S.A.	0,77
MECANICA CEHLAU	0,91
MEFIN S.A.	0,73
MJ MAILLIS ROMANIA S.A.	0,80
OIL TERMINAL S.A.	0,84
OMV PETROM S.A.	0,88
PETROLEXPORTIMPORT S.A.	0,73
PREFAB SA BUCURESTI	0,80
PRODPLAST S.A.	0,77
RETRASIB SA SIBIU	0,69
ROMCARBON SA BUZAU	0,93
ROMPETROL RAFINARE S.A.	0,90
ROMPETROL WELL SERVICES S.A.	0,85
ROPHARMA SA BRASOV	0,75
S.N.T.G.N. TRANSGAZ S.A.	0,76
SANTIERUL NAVAL ORSOVA S.A.	0,99

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SINTEZA S.A.	0,74
SIRETUL PASCANI S.A.	0,67
SOCEP S.A.	0,79
STIROM SA Bucuresti	0,82
TERAPLAST SA	0,84
TMK - ARTROM S.A.	0,81
TRANSILVANIA CONSTRUCTII SA	0,76
TURBOMECANICA S.A.	0,79
TURISM FELIX S.A. BAILE FELIX	0,82
TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA S.A.	0,89
UAMT S.A.	0,87
UZTEL S.A.	0,81
VES SA	0,77
voestalpine VAE APCAROM SA	0,79
VRANCART SA	0,81
ZENTIVA S.A.	0,73

The average disclosure index is 0.79 which highlights an acceptable level of compliance.

5. Summary and Conclusions

Accounting is an important information tool which transforms into an important instrument of power. Financial reporting is a central point in the business world. The investors and creditors are the main users which are interested in high-quality financial reports, ones which are comparable. According to the international referential, financial reporting is a global problem in a world which is increasingly globalized. China has made efforts to this effect by creating a set of standards with a high degree of convergence which has helped to attract investors. Its economic results are known. Romania, in the context of EU accession, has started down this road as well but through IFRS adoption.

We believe that there is an acceptable level of compliance with IFRS which is very important for attracting investors. The main limitation of our comparative study is the small number of companies listed on the Bucharest Stock Exchange. This study contributes to the gaining of knowledge regarding the degree of convergence of the two accounting systems with IFRS.

We further believe that the subject is highly relevant because the need for financial statements comparable in Europe and internationally attracts interest towards the development of quality accounting standards. Research on the convergence with IFRS, in general, and on financial reporting, in particular, continues to be of great interest. The originality of this study comes from choosing as a subject the comparability of the two accounting systems: Chinese and Romanian. We chose these two systems because Romania has made efforts towards attracting investors from China and of enhancing the trade relations with this country which implies that the drawing up of comparable situations is very important. Moreover, we believe that this paper will contribute to the research on the level of convergence with the international accounting standards, thus paving the way for future research in this field. The main limitations when conducting the study on the adoption of IFRS in Romania can be found, on the one hand, in the small number of empirical studies regarding the compliance with IFRS and, on the other hand, in the small number of subjects, a small number of companies being listed on the Bucharest Stock Exchange.

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