

DEBATES ON ACCOUNTING PROGRESS IN THE CONTEXT OF EUROPEAN INTEGRATION

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This paper is an attempt to analyse and evaluate the current status and the development of Accounting in the Republic of Moldova in the light of the European rapprochement and integration process, and to underline the laudable aspects, while tackling at the same time some of the future actions stemming from the commitments assumed under the Association Agreement between the Republic of Moldova and the European Union.

Quite another issue would be for me to determine whether Accounting has got progressive feature and if the changes in this area have marked evolutionary trends. As the notion of progress involves improvements along with changes, I have tried to review the historical facts to find out whether the use of the progress term is reasonably applied in relation to Accounting.

The Republic of Moldova signed the Association Agreement with the European Union on 27 June 2014, and ratified it on 2 July. As a comprehensive document (contains seven titles), the Association Agreement covers practically all areas of political and social-economic activity. This means that the Republic of Moldova will have to upgrade all areas of political and social-economic life, thus, moving closer to the European Union standards in the years to come. And as the Accountants' Community, we shall play the role of a Referee, from the one hand, and be at the same time the driving force of practical remedies aimed to ensure compliance of Accounting with the *Acquis Communautaire* and its improvement, from the other hand.

The relations of the Republic of Moldova with the European Union have already a staged history lasting for about 20 years. The stages are described by the in-depth and comprehensive bilateral relations mirrored in the signed agreements and documents. The Partnership and Co-operation Agreement (PCA) was the first one signed in 1994 and put into effect on 1 July 1998. The PCA was followed by the EU-RM Action Plan approved on 22 February 2005, while the relation path of the Republic of Moldova with the European Union was set by the Association Agreement.

The social-economic development of the country has been mounting along with the progress attained by the bilateral relations EU-RM. In this context, the first accounting reforms were launched in the Republic of Moldova. Hence, the first reforming wave took place during 1995-2005 when the Accounting Law was adopted (1995) as well as the National Accounting Standards (1998). The second reforming wave in the accounting sphere got impetus during 2005-2012 when the new Accounting Law was adopted (2007), as well as the Plan for Developing Corporate Accounting and Auditing for the years 2008-2014, and the introduction of International Financial Reporting Standards (IFRS) for implementation purposes. Prior to the signature of the EU-RM Association Agreement the third reforming wave was launched, which pursued the goal to develop and implement new national standards approximated with the

IFRS and with the relevant EU Directives. It would be continued with modernising the Accounting sector in the light of the Agreement provisions.

As it has been mentioned earlier, Chapter 3 **Company Law, Accounting and Auditing and Corporate Governance** is of great interest for the Accountants’ Community. The Acquis of this Chapter covers diverse legal domains such as the protection of shareholders, creditors and other stakeholders in line with EU rules in this area; the introduction of relevant international standards at the national level and a gradual approximation of Moldovan rules with the EU rules in the field of accounting and auditing, as well as continuous development of corporate governance policy in compliance with the international standards, and staged approximation of Moldovan rules with the relevant European rules and recommendations in this area.

In implementing the highlighted provisions, the parties seek to exchange information and expertise relating to the systems in place, and the new developments relevant to this area. In addition, the parties make efforts to improve the exchange of data contained in the Company Registers of Member States and in the National Register of Companies of the Republic of Moldova. Certainly, the Association Agreement provisions are general, while Annex II, which is an integral part of the Agreement, contains detailed recommendations for the Republic of Moldova to undertake in order to gradually approximate its legislation with the EU normative acts and international instruments. The most relevant documents for the Accountants’ Community, from both the internal and international perspective, are displayed in Table 1 below.

Table 1 – European versus Moldovan Accounting Legislation

European legislation:	Moldovan legislation:
<ul style="list-style-type: none"> – DIRECTIVE 2013/34/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC – DIRECTIVE 2014/95/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups – REGULATION (EC) No. 1606/2002 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 19 July 2002 on the application of international Accounting standards 	<ul style="list-style-type: none"> – Accounting Law No. 113 dated 27.04.07 – Auditing Law No. 61 dated 16.03.2007 – Law on Capital Market No. 171 dated 11.07.2012 – Civil Code of the Republic of Moldova No. 1107 dated 06.06.2002 – National Accounting Standards approved by the Ministry of Finance, Order No. 118 dated 06.08.2013 – ORDER No. 64 of the Ministry of Finance dated 14.06.2012 on acceptance and publication of Standards on Auditing and the Code of Ethics

The introduction of Accounting into the Acquis Communautaire list was imperative due to its great importance and major impact on regulating and controlling the financial relations amongst the Union parties.

One of the incipient stages in achieving compatibility in the area of Accounting Regulations would be to identify and analyse the divergences between those regulations. Ensuring compatibility of different systems does not require the systems to be identical, it is necessary that their provisions are not controversial.

In order to implement the provisions of Article 27 Chapter 3 "Company Law, Accounting and Auditing and Corporate Governance" of Government Decision No. 808 dated 7 October 2014 on the approval of the National Action Plan for the Implementation of the Republic of Moldova – European Union Association Agreement for 2014-2016, the Ministry of Finance published a Table for transposing Directive 2013/34/EU of the European Parliament and of the Council dated 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings into the Moldovan legislation.

The substance of the transposing table is the analysis of the Moldovan Accounting Regulations regarded in light of the European Regulations, having stated the results such as: *compatible; incompatible; partially compatible; not applicable*. It should be noting that the aforementioned table is a comprehensive one containing 122 pages, including analyses and comments that are worth to be considered. Based on the reviewed data we can conclude that the Moldovan Accounting Regulations are partially compatible with the provisions contained by the Acquis Communautaire, and the regulators will have to decide on additional actions aimed at further legal approximation. The reasons for incompatibility stem from the lack of criteria in the national legislation that would classify the undertakings for recordkeeping and financial statement preparation purposes, and the groups of undertakings; for instance, microenterprises, small and medium-sized enterprises, large enterprises, small, medium and large groups. Likewise, not all the items contained by the Balance Sheet structures and the Profit and Loss Account covered by the Directive have been transposed into the Moldovan legislation. The National Accounting Standards foresee identical financial statement forms for all categories of undertakings with no possibility to tailor them. More than that, the National Regulations apply the asset depreciation notion that contravenes the Directive, with no provisions for governing the goodwill and development costs.

We consider that the National Accounting Regulations, in their present form, represent a consistent product that could be easily brought in conformity with the Acquis Communautaire.

Another debatable aspect would be to determine whether the changes and improvements in the accounting area showed an evolutionary trend during the last two decades, and if the Accounting itself can be considered as progressive. In my opinion, both indigenous accounting and accountancy profession have achieved progress. Nowadays, under the current development conditions of the economy, accounting has become a less technical subject as it used to be in the past, and tends to acquire features of a social phenomenon. More and more Historians of Accounting recognise that

the latter has an impact on the society, and has the potential to contribute to social improvements via incorporating rational computation into its structure. This means that if Accounting is seen as a form of rational computation, then it has the potential to be progressive as rationalisation itself is progressive by definition. Also, I support the Scholars' opinions emphasising that progress relies on the capacity of accounting to address current issues where the solution is defined as finding responses or, at least, consensus.

In conclusion, after having studied the development of Accounting in the Republic of Moldova during the last two decades I support the assumption it has a progressive path. There could be other opinions as well because it is known that progress for some people could mean degeneration for others, and what seems to be progressive at a certain point in time could have a different trend in the perspective. Anyway, the actions and facts achieved in the development of Accounting justify the assumption.

REFERENCES

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