

## THE ACCOUNTING, AUDITING AND TAX CONSULTANCY SERVICES MARKET IN ROMANIA

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*The accounting, auditing and tax advisory services market in Romania has seen a continuous expansion in recent years as the domestic economy and capital market have developed. To have an image regarding the evolution of this market in Romania, we analyzed the data from the period 2008-2021. The main players are the large, internationally known firms, though the small firms take up a good part of the market. This paper includes an analysis of the factors that determine the success of the two categories of competitors in this market.*

**Key words:** Accounting; Audit; Tax consulting; Services; Market.

**JEL Classification Codes:** M21, M30, M40.

### 1. INTRODUCTION

Through their work, the professionals in the field of accounting, auditing and tax consultancy contribute to the development of every business, as well as the economy as a whole. The role of accounting information in the decision making process of many stakeholders is well known. In order to achieve the information objectives of all stakeholders, it is necessary to have a well-structured economic information system within any economic unit. The need for audit arises from the need to provide reasonable assurance to users of accounting information, while tax advice is becoming useful to an increasing number of people as tax legislation becomes ever more dense and complex, and also subject to frequent changes.

The present paper aims to provide a picture of the market for accounting, auditing and tax advisory services in Romania. These activities are grouped under CANE code 6920 *Accounting, bookkeeping and auditing activities; tax consultancy*, which includes:

- ✓ “recording of commercial transactions from businesses or others;
- ✓ preparation or auditing of financial accounts;
- ✓ examination of accounts and certification of their accuracy;
- ✓ preparation of personal and business income tax returns;
- ✓ advisory activities and representation on behalf of clients before tax authorities” (CANE, Romania, 2007).

In Romania we can talk about a market for accounting services ever since the transition to a market economy in 1990. The emergence of a large number of private companies in the 1990s led to an explosion in demand for the services of professionals, initially in the field of accounting and later in the field of auditing and tax consultancy. These professions have been continuously evolving in line with economic developments, as the period was marked by both the adoption of a legislative framework relevant to the new economic context, and the emergence of professional bodies.



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## 2. ORGANISATION OF ACCOUNTING, AUDITING AND TAX CONSULTANCY IN ROMANIA

Table 1 presents the provisions of the Romanian legislation on the organization of accounting, statutory audit and tax consultancy.

**Table 1. Organizational aspects of accounting, auditing and tax consultancy in Romania**

Activity	Legislative provisions	Regulatory act
<b>Organization of accounting</b>	“Accounting is organized and managed, as a rule, in separate departments, headed by the economic director, the chief accountant or another person empowered to perform that function. Those persons must have a higher economic education. A person empowered to perform the function of economic director or chief accountant is defined as a person employed in accordance with the law, who has a higher economic education and who is responsible for the management of the entity’s accounts”.	Source: Accounting Law No 82/1991, Article 10, paragraph 2
	“Accounting may be organized and managed on the basis of contracts for the provision of services in the field of accounting, concluded with natural or legal persons, authorized according to the law, members of the Body of Chartered Accountants and Authorized Accountants of Romania”.	Source: Accounting Law No. 82/1991, Article 10, paragraph 3
<b>Financial audit</b>	<p>“Financial audit includes statutory audit, as well as the activity performed for the purpose of expressing an opinion on financial statements or parts thereof, as well as the performance of other assurance engagements and professional services in accordance with international auditing standards and other relevant regulations”</p> <p>“Statutory audit shall be performed by financial auditors or audit firms that are authorized in Romania under the terms of this law, who are registered as members of the Chamber of Financial Auditors of Romania, hereinafter referred to as CAFR, under the terms of the law, and are registered in the electronic public register provided for in Article 14 under the terms established by this law and by ASPAAS regulations”.</p>	Source: Law no. 162/2017 of 6 July 2017 on statutory audit of annual financial statements and consolidated annual financial statements and amending certain regulatory acts;
<b>Financial audit</b>	“Independently exercising the capacity of tax consultant is done only on the basis of legal relations between the tax consultant and the natural or legal persons to whom he/she provides consultancy and towards whom he/she has no direct or indirect material interests, except for the fees due for the work performed in this capacity”.	Source: Ordinance no.71/2001 – on the organization and exercise of tax consultancy activity, as amended and supplemented

Source: elaborated by the authors on the basis of the legislation in force

The professionals in those three fields of activity – accounting, auditing, and tax consultancy – are organized in professional bodies: Romanian Chamber of Certified and Chartered Accountants, Chamber of Financial Auditors of Romania, and Chamber of Tax Advisors.

Professionals in these fields of activity are divided, according to their legal status, into dependent, with an employee status, and independent or self-employed, providers of the services that make up their profession. Each category of professionals follows a code of ethics, which requires all members to adopt a set of principles and regulations meant to ensure that the public interest is protected. This ensures the confidence of all categories of information users in the

quality of the services provided by these professionals, which is essential for the development of markets and the economy.

### 3. THE EVOLUTION OF THE ACCOUNTING, AUDITING AND TAX CONSULTANCY MARKET IN ROMANIA FROM 2008 TO 2021

Confidence is gained over time and is the result of a summative combination of factors that will be discussed in this paper. In order to get a picture of the market for accounting, auditing and tax consultancy services in Romania, we queried the Tempo database, managed by the National Institute of Statistics. Table 2 shows the evolution of the number of companies whose main activity is CANE 6920, both in total and by size class of companies, according to the number of employees.

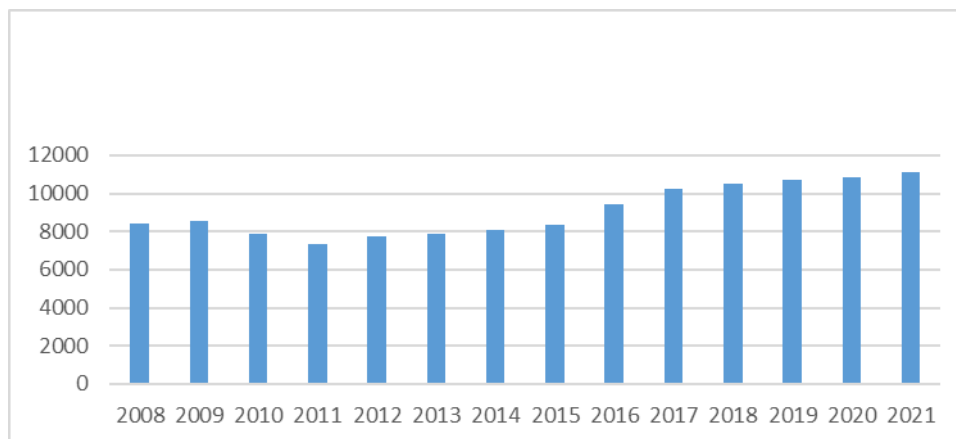
**Table 2. Number of enterprises whose main activity is Accounting, bookkeeping and auditing activities; tax consultancy (CANE 6920), by size class of enterprises**

Size class of enterprises / Year	Total Number of enterprises - CANE Code 6920	of which				
		0 – 9 employees	10 - 19 employees	20 - 49 employees	50 - 249 employees	250 employees and over
Number of enterprises						
2008	8399	8260	89	41	7	2
2009	8567	8418	101	39	7	2
2010	7896	7747	98	41	9	1
2011	7353	7190	117	34	10	2
2012	7752	7571	132	34	12	3
2013	7872	7674	150	32	13	3
2014	8050	7852	147	35	13	3
2015	8323	8125	145	33	15	5
2016	9437	9241	135	40	15	6
2017	10233	10034	135	44	14	6
2018	10514	10312	141	36	21	4
2019	10719	10519	137	41	18	4
2020	10843	10672	114	35	18	4
2021	11111	10907	132	47	21	4

Source: the authors' projection based on data published by the National Institute of Statistics <http://statistici.insse.ro:8077/tempo-online/#/pages/tables/insse-table>

From the data presented in Table 2, it can be seen that over the period 2008-2021, the number of enterprises in the analyzed category increased. In 2010 and 2011, following the economic crisis, there was a decrease in the number of enterprises. Since 2012, the number of enterprises has steadily increased, reaching 11,111 in 2021, which is more than 32% higher than the number of enterprises in 2008.

The evolution of the total number of enterprises whose main activity is “Accounting, bookkeeping and auditing activities; tax consultancy” (CANE code 6920) is shown in Chart 1.



Source: the authors' projection based on data in Table 2

**Chart no. 1. Evolution of total number of businesses whose main object of activity is Accounting, bookkeeping and auditing activities; tax consultancy (CANE 6920)**

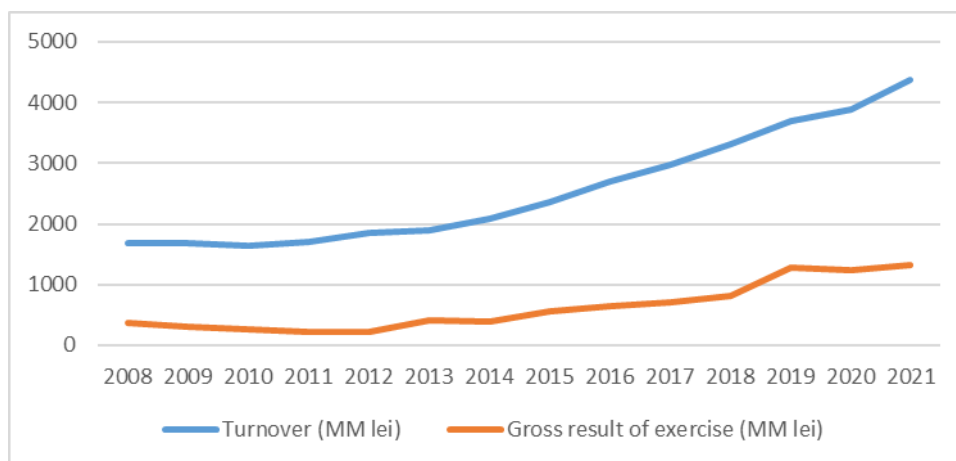
Table 3 shows the turnover, gross result of exercise and gross result ratio.

**Table 3. Turnover, gross result of exercise and gross result ratio**

Year	Turnover (lei)	Gross result of exercise (lei)	Gross result / turnover ratio (%)
2008	1672029656	375550594	22.46
2009	1691985364	296202777	17.51
2010	1632842435	253724304	15.54
2011	1699727151	214001622	12.59
2012	1848181534	229004615	12.39
2013	1901708975	410595322	21.59
2014	2076597658	389077839	18.74
2015	2355936305	555556797	23.58
2016	2694321314	636305338	23.62
2017	2978993388	710032386	23.83
2018	3311476008	824234799	24.89
2019	3705813800	1274632134	34.40
2020	3880295536	1233130895	31.78
2021	4379591667	1322205534	30.19

Source: authors' projection based on data published by the National Institute of Statistics  
<http://statistici.insse.ro:8077/tempo-online/#/pages/tables/insse-table>

The global financial crisis in 2007 was the largest global economic crisis recorded since 1929, which has affected the Romanian economy, too. Its effects were severely felt by Romanian accounting, auditing and tax consultancy firms. On the one hand, there has been a fall in turnover and gross profit for the year and, on the other, a fall in profitability as shown by the ratio of gross profit for the year to turnover. Turnover exceeds the 2008 level in 2012, gross profit for the year in 2014, and profitability exceeds the 2008 level only in 2015.



Source: Authors' projection based on the data in Table 3

**Chart no. 2. Turnover and gross result of exercise, CANE 6920 enterprises, 2008-2021**

In Table 4, we have presented a number of statistical indicators that characterize the 2021 activity of enterprises in the category analyzed. It can be seen that enterprises with up to 9 employees have the highest number of employees. Also, in the case of these enterprises there are large differences between the number of employees and the number of persons employed. According to the methodology used by the INS (the National Institute of Statistics), the average number of persons employed is defined as “the total number of persons employed in an enterprise (including owners, partners, who frequently work in the establishment and unpaid family workers), as well as the persons moved to special duties outside the establishment and who are paid by the establishment (sales agents, delivery staff, maintenance and repair teams)” (National Institute of Statistics, 2023).

**Table 4. Statistical indicators characterizing the activity of enterprises (CANE 6920) in 2021**

Indicators / Size class of enterprises	Number of enterprises	Average number of employees	Average number of employment	Net investments (lei)	Personnel costs (lei)	Gross result of exercise (lei)	Turnover (lei)
<b>Total</b>	11111	22697	25902	49817573	1320943681	1322205534	4379591667
of which							
<b>0 – 9 employees</b>	10907	15337	18540	23683632	414084803	1001953134	2289897689
<b>10 – 19 employees</b>	132	1723	1724	8081074	71361064	56676514	189873187
<b>20 – 49 employees</b>	47	1360	1361	4025849	114161104	48826129	225136812
<b>50 – 249 employees</b>	21	2122	2122	12094726	347777266	136657236	879048686
<b>250 employees and over</b>	4	2155	2155	1932292	373559444	78092521	795635293

Source: authors' projection based on data published by the National Institute of Statistics  
<http://statistici.insse.ro:8077/tempo-online/#/pages/tables/insse-table>

Based on the indicators in Table 4, we have calculated a series of indicators reflecting the performance of companies whose main activity is CANE 6920 in 2021, presented in Table 5.

**Table 5. Indicators reflecting the performance of enterprises (CANE 6920) in 2021**

Indicators / Size class of enterprises by number of employees	Turnover per employee Ratio (lei/employee)	Personnel costs / average number of employees (lei/employee)	Gross result of exercise / Average number of employees (lei/employee)	Gross result of exercise / Turnover (%)
<b>Total</b>	192959	58199	58255	30.19
<b>0 – 9 employees</b>	149305	26999	65329	43.76
<b>10 – 19 employees</b>	110199	41417	32894	29.85
<b>20 – 49 employees</b>	165542	83942	35902	21.69
<b>50 – 249 employees</b>	414255	163891	64400	15.55
<b>250 employees and over</b>	369204	173345	36238	9.82

Source: the authors' calculations – based on data published by the National Institute of Statistics

It can be noticed that businesses with more than 50 employees have a much higher turnover per employee than enterprises with less than 50 employees.

Personnel costs are higher in enterprises with more employees. The lowest level of personnel costs is found in enterprises with up to nine employees. This can lead to low employee motivation, low attachment to the employer and fluctuating staff turnover, with negative effects on future business performance.

Enterprises with up to nine employees achieve a profitability rate of 43.76%, calculated as the percentage ratio of gross profit for the year to turnover. Enterprises with higher personnel costs have a lower profitability rate, which reaches only 9.82% for enterprises with more than 250 employees.

CANE 6920 enterprises registered in Romania can be classified according to the brand under which they operate in:

- companies operating under an international brand, irrespective of the source of the invested capital (domestic, mixed or foreign) and the legal relationship with the company that owns the brand internationally;
- companies operating under a local brand, irrespective of the source of invested capital (domestic, mixed or foreign).

In the field of auditing, the auditor's brand is closely linked to stakeholder trust. Analyzing the audit reports for the 20 companies included in the representative index of the Bucharest Stock Exchange, for privately managed pension funds and for voluntary pension funds, we found that for most entities, the auditor is a Big Four company, and for the remaining entities, the auditor is a company operating under the umbrella of another internationally known brand.

Thus, as many as 15 companies in the BET index conducted an audit with a Big Four company and the remaining 5 companies opted for another audit firm with an international brand. Of the seven mandatory private pension funds (Pillar II), four funds are audited by a Big Four company and the remaining three are clients of other audit companies operating under an international brand. Of the ten voluntary pension funds (Pillar III), half are audited by a Big Four company and the others are audited by a company operating under an international brand.

In order to make a comparison between accounting, auditing and financial advisory companies operating under an international brand and those operating under a local brand, we have selected some comparison criteria, which are strengths for a company's success in this market, which are presented in Table 6.

**Table 6. Comparison criteria between large and small companies in the accounting, financial audit and tax consultancy sector**

Comparison criteria	Companies operating under an international brand	Companies operating under a local brand
Image	Globally, the group they belong to has a long history, sometimes over a century, and its brand is strong, being built up over time.  They are trusted by all categories of users of accounting information.	They have a history of no more than a few decades, and most are unknown to the general public and to capital market investors
Human resources	Highly skilled workforce, obtained through successful training and apprenticeship programmes.  Large companies invest huge resources in employee training and development  These companies are regarded by most industry professionals as some of the best places to work.  The aspects mentioned above ensure that employees are not only highly qualified, but also motivated to achieve more.	Staff are qualified, but often the employer cannot afford to invest in further training  Quite a lot of small companies offer un motivating salaries, which is why there is staff turnover.  Attachment to the employer is in some cases low.
Access to technology	It is facilitated by the company's financial resources and the partnerships formed with big technology companies.	It may be limited due to limited financial resources
Global coverage	Strong global network. Over the years, large companies have built networks trusted in most countries of the world, through which they can reach most potential customers.	Not applicable. These are companies with only a local presence, most of them having a single office.
Diversification of activity	They usually offer services in several areas, usually through different companies.	In most cases they offer limited services through only one company.
Level of customer satisfaction	Large companies have dedicated customer relationship management departments, and are able to achieve a high level of satisfaction among existing customers as well as good brand value among potential customers.	Most companies in this category do not have a dedicated customer relations department.

Source: authors' elaboration based on literature

Due to the size and diversity of the professionals at their disposal, large companies can more easily cope with intense market competition, frequent changes in legislation and cybersecurity threats. They also benefit from being able to acquire smaller companies and invest in innovative technologies. Both large and small companies are exposed to threats such as loss of contracts, faster uptake of new technologies by competitors, negative press coverage or litigation.

#### 4. CONCLUSIONS

More than three decades after the transition to a market economy, today's Romania has a solid and adequate legislative framework, as well as sound professional bodies in the field of accounting, auditing and tax advice.

The enterprises registered in Romania which are engaged in accounting, accountancy or bookkeeping and auditing activities, and tax consultancy (CANE 6920) are mostly small, most of them with up to nine employees. Small businesses have lower staff costs and higher profitability than larger companies. The two types of businesses differ in as far as their business model and organizational culture are concerned. Currently, accounting, as a key component of the economic information system, has to face the challenges of new technologies. The pandemic crisis of 2020 has accelerated the digitization process in all areas, including accounting, auditing and tax consulting. The new technologies are radically changing the way companies record, process and store accounting data. In the current context, companies operating in the field of accounting, auditing and tax advisory services must, on the one hand, invest in new technologies and, on the other hand, ensure an adequate level of security for the IT systems used and train staff to use these technologies effectively.

Continuous changes in financial, accounting and tax legislation are causing discontent among entrepreneurs, managers and professionals in these fields. Given the close link between accounting and management – management uses accounting information to make decisions and accounting is organized and managed to meet, among other things, the needs of management –, the increasingly complex legislation and frequent changes lead to uncertainty and difficulties in decision-making.

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