

ASPECTS CONCERNING THE EVOLUTION OF THE ROMANIAN ACCOUNTING THINKING

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***Abstract:** The accounting profession serves the general interest and contributes to the development of the economy through the quality of the works performed. This paper aims to present some benchmarks for the evolution of the accounting thinking in Romania, from the earliest times to the present. The limited space of this article has determined a synthetic approach to the main aspects that have marked the science and practice in the Romanian accounting field. In the last part of the paper, the main potential directions of development of the Romanian accounting for the next period are reviewed.*

Keywords: Accounting, History, Evolution.

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1. INTRODUCTION

As man evolved, he felt the need to keep track of the things that surrounded him. Historians believe that early forms of accounting appeared many thousands of years ago in the form of notches on animal bones. Since Antiquity, lists of expenses and provisions have been kept, especially some related to the organization of the army, but it cannot be said that there was a well-defined accounting system.

The evolutions of science and practice in accounting have been correlated with the economic and social development of humanity. The transition to a new stage in the history of the economy has led to an increase in the complexity of accounting and has created new challenges for it.

The beginnings of accounting are characterized by the lack of a clear separation between a merchant's personal property and what belonged to his business. After centuries of evolution of the accounting, a clear delineation between the wealth of the natural person (the owner of the company) and the wealth of the legal entity (the company) has been achieved.

The Romanian accounting was the result of the action of a multitude of factors, an aspect that directly determined its degree of originality. From the beginning, the Romanian accounting thinking has been based on several pillars: the practice in the field, the legislation, the journals the specialized education.

The author G. Hofstede made a classification of the countries of the world on several criteria, including the cultural one, considering culture as 'the collective programming of the



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mind that distinguishes the members of one category of people from those of another' [Hofstede, 1984]. Each culture is characterized by its own set of values and norms, which are developed by several generations, being the result of historical evolutions. Culture plays an important role in the reasoning of individuals, in their ethical behaviour and attitudes. Firstly, cultural values are transmitted to members of a culture by parents, through socialization, education, and religion.

Cultural factors, together with economic, historical, political and religious factors have influenced the Romanian accounting thinking since its emergence.

2. MATERIAL AND METHODS

The fundamental accounting research "is focused on accounting as a historical, social and organizational phenomenon" [Calu, D.A, 2005, p. 13]. The study of the accounting history is relevant both for understanding some realities of the present, and for anticipating possible developments. Accounting is a broad phenomenon and is not limited to accounts and calculations, as it may seem from the outside to certain ignorant observers.

For the preparation of our article, we used the method of historical research and the study of historical reference documents available online. The main aspects selected for presentation in the paper were tracked in chronological order.

3. THE FIRST ACCOUNTING WRITINGS IN THE ROMANIAN SPACE

Wallachia's treasury register from the age of the ruler Constantin Brâncoveanu is one of the most important documents, both for the national history in general and for the history of Romanian accounting. The document covers the period from December 1693 to December 1703 and records all the financial operations of the treasury [Ungureanu, D. 2015], grouped into:

(1) **Taxes** (entries) - represented the amounts collected from taxpayers, all of them *orderly taxed*, by categories and subcategories; and

(2) **Expenses** (exits) - the direction taken by the collected money, (the expenses incurred) - and these are structured by categories - payments to Ottomans, gifts (official or unofficial), internal payments, etc.

The treasury register is practically a summary account of all the tax documents with which the treasury operated. These documents were the product of the representatives of the treasury and of the royal authority in the territory.

In 1817, in Iași, the book "Didăscălia" was published in Greek, in which the topics of trade, finance and accounting were addressed. By the Organic Regulations (1831), in Moldavia and in Wallachia, mandatory public accounting was introduced, in order to control the state's assets. Also, the separation of the state budget and finances from those of the ruler was achieved, in order to achieve an effective control over the authorization of public goods and public money. Brasov, an important Transylvanian city, with ancient commercial traditions, had in the first half of the 19th century a large number of merchants who needed training in the field and a record tool for their business.

Following George Barițiu's efforts, the "preparatory trade class" is established within the "National School of the Romanian Chapel in the Brasov City".

The notions of accounting were taught to the students by Professor Emanoil Ion Nichifor, the author of the first accounting paper published in Romanian: *Pravila comerciala*, published in 1837 [Caraiani & Dumitrana, 2008, p. 17].

The paper aimed at being a textbook for students, and the author has the merit of introducing the specific terminology of accounting in Romanian.

In 1845, Dimitrie Jarcu (1817-1879) published in Bucharest the work “*Doppia Scriptura. Sau Ținerea Catastiselor*”, a translation into Romanian of the work of the French author J. Jaclot - professor of commercial accounting in Paris.

In Romania, the first accounting works were translations from German and French but they also contained a few personal ideas of the authors, “which represents the beginning of the Romanian accounting thinking” [Mihai, M. et al, 2016, p. 8].

The reforms of the ruler Alexandru Ioan Cuza also concerned the accounting field, an accounting law, absolutely necessary to organize this field in the new state being adopted.

The completion of the accounting activity in the best conditions is unthinkable today without a professional body. The first efforts to set up a professional body of accountants in Romania were made at the end of the 19th century, but the misunderstandings between the leading professional accountants and subsequently the outbreak of the First World War led to a delay in this achievement.

Thus, a decisive step in the evolution of the Romanian accounting thinking towards modernity was represented by the approval of the Law for the organization of the Body of Authorized Accountants and Accounting Experts in Romania, on 13 July, 1921. This is the reason why the date of 13 July is currently the National Day of the Romanian accountant.

The law on public accounting and on the budget and the assets control of 31 July, 1929 brought a number of new features, including:

- the compulsory inventory of public assets (Title I, art. 2);
- introducing the 12-month budget year instead of the 18-month one (Title I, art. 3);
- fixing the legal term in which the budget is prepared and submitted and introducing a separation of ordinary expenses from the investment ones (Title II, art. 33);
- establishing as phases of the expenditure acts: the distribution of the credits, the commitment of the expenses, the liquidation and the ordering of the expenses, the payment of the expenses.

The development of the accounting science and practice in Romania did not follow a rhythmic and harmonious path. The cost calculation was generally neglected in the accounting literature published in Romania until the 20th century, the papers being generally summarized in the presentation of some transaction recording techniques, without presenting aspects related to cost calculation.

According to C. Caraiani and M. Dumitrana [2008], “in relation to cost calculation, most information available at that time (before 1949 - n.n.) is still present in university courses”.

After World War II, the communist regime was established in Romania, which replaced the market economy based on free initiative with the economy directed from the centre.

This evolution, accompanied by the nationalization of the main means of production, had a harsh impact on the accounting profession (a liberal profession by excellence) and, in 1951, the

Grand National Assembly issued the decree for the dissolution of the Body of Authorized Accountants and Accounting Experts.

However, there were also favourable aspects such as the widening of the network of institutions of higher economic education and the emergence of specialized reference papers for that period. Thus, at the end of the 1960s, in the Romanian accounting literature, a number of cost calculating methods were presented that were also popularized and in the western countries at that time such as G.P, T.H.M., Direct-costing.

This proves that the accounting science in Romania has been connected and responsive to developments in the field at international level. Being a francophone country, Romania has especially received literature from the French. A trivial but relevant example is the acronym under which the Machine Hour Rate method - THM - is known in Romania.

By Accounting Law no. 82/1991 the framework of a new accounting system was created, meant to respond to the needs of the market economy. In 1994, the Romanian National Body of Accounting Experts and Authorized Accountants was re-established and in 1999 the National Chamber of Financial Auditors was established. The two professional bodies are members of the International Federation of Accountants.

4. PRESENT AND PERSPECTIVES

The complexity of the economic life, the periodic economic and financial crises that reshape the world economy and the exacerbation of the social and environmental problems now determine the increase in the role of the economic and financial information in the decision-making process.

Nowadays, accounting is in the phase in which it must respond to the challenges concerning the reflection of the overall performance of the company, in its triple hypothesis: economic and financial, social and environmental. Investors request more information about the company to substantiate their investment decision. Thus, the reporting can no longer contain exclusively data on the financial status of the company, it must be more complex and complete, to include, in addition to the financial and non-financial indicators, aspects related to the business sustainability and social impact. In this context, we can anticipate the generalization of integrated reporting in the coming years.

The integrated reporting involves the preparation of an annual report that includes financial statements, the state of business sustainability of the company and reports on social responsibility. The importance of this new type of reporting is given by the fact that the indicators on social and environmental performance contribute to the development of a complete image on the status of the organization and the impact of its activity.

The modern company benefits from the advantages offered by globalization and technological developments but is at the same time subject to new risks. As a result of the process of globalization, national borders are no longer a barrier to trade and technological innovations follow one another quickly and are also a factor that puts pressure on actors in the economy. Under such circumstances, there is a need for methods or tracking resource consumption and providing the information needed to act toward reducing such consumption.

The progress of the economy means the development of economic entities, the movement of capital and the development of markets but these cannot be achieved without investors taking a certain risk in relation to their investments.

Accounting professionals play an important role in the development of the economy because they are the craftsmen of the financial statements and provide investors with confidence that these documents reflect, without significant distortions, the financial position and the performance of the entity.

The efforts of normalization undertaken worldwide in the last decades, in the context of globalization and capital movement, have also included the Romanian accounting environment and, since 1990, remarkable efforts have been made to create an adequate accounting system for a market economy, taking into account the international standards and the European directives.

The calculation technique developed in the last decades has greatly simplified the accounting work by reducing the volume of work. The implementation of a management accounting system that responds to the needs of the management requires the knowledge of the theoretical and applicative problems of this field, in depth and in all their complexity. The emergence of computers has revolutionized the work in the field of accounting and has provided fastness in data collection and processing.

The outsourcing of accounting, facilitated by new technologies, has been a cost-effective solution for most SMEs in Romania over the last three decades.

Artificial intelligence is developing rapidly and its adoption in the business environment, although now in its incipient stage, will mark the practice and science of accounting in the coming decades.

On Forbes magazine's website, Jeb Su [2018] predicted “that by 2020, accounting tasks - but also tax, payroll, audits, banking... - will be fully automated using AI-based technologies, which will disrupt the accounting industry in a way it never was for the last 500 years” [Su, 2018].

5. CONCLUSIONS

The evolution of accounting thinking in Romania was closely linked to the evolution of the Romanian society, being influenced over time by political, religious and cultural factors. The gap in economic development has led to delays in developments of the accounting field in comparison to Western countries.

Nowadays, accounting is in a phase in which it must respond to the challenges generated by rapid technological changes, globalization and the depletion of natural resources. In the new context, accounting knowledge must be held not only by the persons who carry out their business in the accounting field, but also by those who manage and are responsible for the assets of the company.

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