

Financial Statements in the Context of the Accounting System of Modern Entities. A Comparative Analysis between Jordan and Romania

Omar Alhato¹, Alin Tomuş², Carmina-Elena Mihai³

^{1,2,3}1 Decembrie 1918^o University, Faculty of Economic Sciences, Alba Iulia, Romania

³Lucian Blaga University of Sibiu, Romania, ²E-mail: carminamihai@yahoo.com

Abstract

Financial Statement of a company is one of the sources of information about consequence of enterprises financial-situation so as to distress the venture disposition and would be valuable to its users. Additionally, accounting-scheme in latest years has formed considerable effect on social-economic and political developments; principally on documentation, adapting, explanation, verifying and administration. The suggestion of this research is to contend suitable and academics subjects related to accounting system of modern entities in parallel with Jordan and Romania. The technique of study accepted is exploration-assess of obtainable accounting previous study. In this perspective, we outlined this article throughout that we drafted an indication the history of financial reporting and its evolution and the importance of accounting theories. Furthermore, this research could be confidently promoted for studios, researchers, enterprises segments as entire; in the sensibility to give expressive data about Middle-East-accounting, in case of Jordan. On the contrary, giving accounting-data for European-Union, in the case of Romania.

Keywords

Financial Reporting, Review of Accounting Theories, Jordan, Romania, Financial Statements, Developments in Accounting

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1. Introduction

The accounting framework satisfy the information function, which includes the delivery of accounting records', in a specific form of presentation, to all inner and exterior configurations of the bodies. Assembling of financial-statements is crucial for the valuable methods of the movements of every company. The regulations disclosed throughout the I.A.S.B are identified as the International Accounting. Standards (I.A.S)'.
IASB has issued forty one IAS as of January one, 2003. The efforts arranged during the I.A.S.B. have arrangement in several popular effects mutually developed and developing Countries. Depend on Deloitte & Touches topical statement, 42 nations have approved I.A.S as the principal exposure standards for scheduled home enterprises. Additionally, 28 extra nations are scheduling to utilize I.A.S as principal describing rules for listed domestic companies, starting as early as 2004, but no later than 2007. Moreover, thirty two countries have allowable the utilization of IAS for his or her listed domestic corporations (Deloitte & Touche, 2003).beside with the countries look for to match their accounting-standards with I.A.S, over 90% are from developing nations and this trend is growing. Financial accounting applications all through the arena nowadays are typically regulated via a large quantity of accounting standards. Through such mechanisms as conceptual frameworks for the financial reporting, accounting professions throughout the world promote a view that accounting reports, when organized properly, accounting standard-setters take such economic and social influences under consideration when growing new accounting standards. Over time, broad standards gave manner to the development of unique accounting standards. Accounting standards started out to be launched by various accounting professional bodies at some point of the world around the 1970s and standard-setting activity has tended to boom considering then. In this situation, this article we undertake to argue sensible and intangible concerns associated to accounting-scheme of modern entities in parallel with Jordan and Romania.

2. Methodology of research

The article plan, in coalition with the spot of the study and in lineup with the philosophical worldview, drives the selection of the method. Whatever; wide scheme is approved; there are detailed paths and research-plan appropriate for the study. The motivation of this paper is to discuss pragmatic and hypothetical themes allied to accounting system of modern entities in parallel with Jordan and Romania. To reach this ambition, these researches approve qualitative-access; throughout summarize an indication the history of financial reporting and its evolution and the importance of accounting theories. The scientist derived the origin, growth and development in accounting by using different textbooks, magazines, journals on

accounting theory. Moreover, the article though appraised the accomplishments completed in accounting-theory; and precisely in Europe.

3. Adopting the International Financial Reporting Standard (IFRS) on Jordan and Romania

Middle East accounting standards were reformed to improve the quality of accounting information. Middle East accounting bodies have knowledgeable some major changes throughout the past many years. Earlier to 90s, here; no communal accounting-standards for countries in this area since of the lack of accounting organizations (Zahra & Masoud, 2015). The Middle-East countries for example Jordan, to a large extent, have welcomed the International Accounting Standards, Jordanian Auditors Society issued its decision No 54 of 1989 by which obligate all the Accountants and the concerned to apply the international accounting standards in Jordan as of the first of January on 1990 in their formation and verifying the issued financial-statements for the Jordanian-Joint-stock Public listed Companies on Amman Stock market. (The Jordanian Association of Certified Public Accountants, 2003), display of Financial-Statements is compulsory in Jordan. I.A.S (1) supports enterprises indexed on the Amman.Stock.Exchange to issue financial-statements if the board accepts they will help users in settling on economic choices.

In Romania, later 90s, the shift to entrepreneurship was completed by approve a latest fiscal regulation; the case of Romania was the case with former communist countries (e.g. Poland and the Czech Republic). Consequently, the accounting-modification was also steady, as element of the transformations completed in the Romanian post-communist economy. However, once Balkan nation plunged into the worldwide economy, right after the communist regime (Ionaşcu *et al.*, 2014). I.F.R.Ss has been achieved as an outcome of circumstances compel by supernormal bodies that activate internationally - the World-Bank and global Monetary-Fund; that added financial-maintain necessitate for Romania's economic and social transformations. In this perspective, in the early 1990s until to 2000s, the submission of I.F.R.S in Romania was connected among the E.U strategy as considers to I.F.R.S, owed to the position of Romania as a candidate state for EU membership. This encouraged the transfer from harmonization to obligatory fulfillment with I.F.R.S, conforming to E.U regulations.

4. Development of accounting inside modern entities

Accounting as we discover it these days is that the results of several combined efforts of variety for various nations. Accountancy scheme for integral states; resulting from an interaction of historical and cultural powers, Varieties among these countries has to be expected. Key characteristics of the accounting system or cultural environment of countries are identified based wholly on the core of foregoing festivity-in and ideational rationalizing and the particular are passed down to lead the classification of accounting systems. In the accounting, categorizing of nations can be detect upon the significant of capital power equity considerations; the most important was Nobes' theory which establishes the differentiation factors, The hierarchical classification was installation in 1983 by Nobes and it was depending on at the financial reporting system capital equity (Parker, 2005). As display in graph 1 below, this scheme has presenting two classifications. The first classification is: strong equity and outsider's dominant (Anglo-Saxon countries) were grouped into subclasses, families and species. According to these classifications the financial reporting system is relatively open and we have strongly oriented towards business, like, Australia, New Zealand, the United Kingdom and Ireland, Canada and the United States.

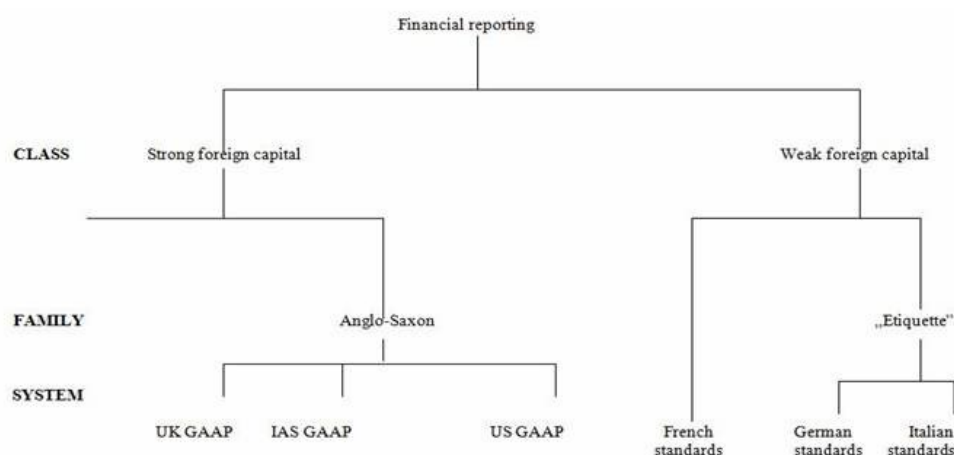


Figure 1. Nobes hierarchy (1998)

Source: Roberts et al. (2005) Comparative International accounting, Prentice Hall

The second classification was detailed to the adopted with European continental - were grouped into subclasses, families and species. According to these classifications weak equity and strong credit, with an accounting system based upon conservative rules, imposed by the tax system like Italy (with a system based on the Civil Code and international influences), France, Germany and Sweden.

4.1. Origins and Development at the international Accounting Standards Committee (IASC)

According to Butynets, at the beginning of 20-th century, it became clear that traditional accounting did not maintain up among the necessities of administration in a progressively more ambitious atmosphere, quickly shifting skill and growing complexity of organization of production (Butynets, 2002). Therefore, the first stage of development of international system of accounting was marked by construction of a authorized structure for accountancy in several nations, formation of skilled accounting-unions, rethinking of the role of accounting. Interest in International System of Units of accounting grew toward the tip of Fifties because of the actual fact that following the tip of war II there was increasing world economic integration which additionally cause increase in capital flows, international trade and foreign direct investment ; because of enlargement of international economic relationships, specialization and cooperation of production, creation of multinational corporations, the problem of incompatibility of accounting and auditing standards became of paramount importance . During the 1960s, there was period of international mergers and acquisitions, particularly between American's and European companies.

As display in Table 1 below, shows a particular activities or events for the international Accounting Standards history:

Table 1. IASB Timeline

1966	Proposal to establish an International Study Group comprising the Institute of Chartered Accountants of England & Wales
1967	In February the Accountants International Study Group (AISG) was founded
1973	In June the International Accounting Standards Committee (IASC) was established
1973- 2000	Between these years, the IASC released a series of standards known as the International Accounting Standards
1997	Standing Interpretations Committee was established to consider contentious accounting issues
2000	International Accounting Standards were finally recognized in the Stock Exchanges around the world
2001	The International Accounting Standards Board (IASB) came into effect on April 01, 2001
2003	The first IFRS was published in June
2005	Companies in the UK were required to present their financial statements using the international accounting standards adopted by the European Union

Source: Knowledge guide to IAS & IFRS (2010)

4.2. Impact of globalization on the accounting systems

Globalization isn't a character latest-growth. According to Altbach 2004, economic process is that the broad economic, technological and scientific trends that directly have an effect on educational activity and area unit mostly inevitable. Political-affairs and society are an element of the innovative global-realism. Technology has great been a essential expedition for economic-progression. Another facet of economic processes in money markets are that the revelation of relevant money data on the worth of the money assets. Economies within the world area unit convergence globally and investors will access additional timely data relating to their investments. Altbach adds that educational systems and establishments might accommodate these developments in several ways that. the rise in international trade and investment, as a results of economic process, has accumulated the requirement for a group of international accounting and

reportage standards that may facilitate to harmonize company money data, improve the transparency of accounting, and make sure that investors receive additional correct and consistent reports. The influences of economic process on accounting analysis and apply area unit mentioned in conjunction with the intervention and involvement of establishments, nation states, government agencies and corporations. The need for international accounting education is triggered by developments of monetary markets and disassembly of barriers to trade. reportage and revelation set of standards can result to extend through a range reinvesting profits earned from overseas operations, international company performance, accessibility to capital, each from native and foreign investors simply to say a couple of (Akinyemi, 2012).

4.3. Characteristics of monetary statements below the IFRS

According to the Board's constitution (IASB, 2010), for companies' money reports to be decision-useful one set of prime quality standards at a worldwide level have the potential to eliminate the barriers to cross-border investment and to boost the dependability, comparison and transparency of monetary reports. Any enhancing characteristics area unit timeliness, verifiability and understandability. These are; in outline, the advantages generally anticipated once adopting the IFRSs, and area unit in line with EU arguments (Regulation 1606/2002, Article 9b) and people employed in different jurisdictions to support the event of metropolis markets and also the integration of capital markets. Within the abstract Framework of 2010, the term 'faithful representation' was replaced by the term 'reliability' as a qualitative characteristic of monetary data. This shift diagrammatic a move removed from antecedently accepted ideas of substance over type, prudence (conservatism) and verifiability. Trustworthy illustration is achieved once to be helpful, money data should not solely be relevant, and it should conjointly represent dependably the phenomena it purports to represent. These elementary characteristics would be obtained to maximize the underlying characteristics of completeness, neutrality and freedom from error.

5. Theories for the Implementation of the International Money Reportage Standards (IASB)

There are many theories that managing the implementation the International money reportage Standards (IASB). During this context, we tend to read these theories as follows:

5.1. Positive accounting theory

Positive Accounting Theory (PAT) cares with predicting actions like the alternatives of accounting policies by firm managers and the way managers can reply to projected new accounting standards. The term "positive" refers to a theory that tries to create sensible predictions of real-world events (Scott, 2009). Ross and Jerold Zimmerman in 1978 develop Positive Accounting Theory (PAT). They investigate about factors influencing management's angle (lobbying behavior) on accounting standards together with regulation, political prices, management compensation plans, taxes and data production (e.g. bookkeeping). They argued that people act to maximize their own utility and management lobbies on accounting standards supported their own self-interests, for example executives have inducements to reconcile on accounting-standards that details minor earns thanks to tax, and political and regulative systems. As stated to Basu (2009) positive-accounting is merely dissimilar from conformist accounting path because it assumes that conservative accounting yields sub-optimal results. Conservative accounting necessitate minor enormity of verifiable to identify sufferers whereas it needs extremely high degree of verifiability to recognize gains.

5.2. Organizational Change and Financial Reporting Theory

Expansion in commerce exercises has attend to the surfacing of all figures of enterprises arrangement as simple, focused entities evolved and become complex with all attendant managerial challenges. As reported by Baker *et al.* (2008) latest invention expansion and offensive of the modern-market have led to business expansion internally. Baker *et al.* (2008) proclaim that commerce have developed behind interior expansions by lengthening their systems during combination with or acquisition of other companies. The intricacy of contemporary enterprise arise from firms regulate industry in diverse states and countries in which there is diverse legislation on tax provisions and disclosure requirements. The escalation in complication accord origin to rising multifaceted firms' conscription and expansion of complex organizational and ownership structures. Inside development capture position as the enterprises develop the range of their procedures during subordinate entities or subsidiaries or other outlets such as partnership and joint ventures. A form of control is retained by the subordinating entity as the parent company shifts elements of its resources to the departed in switch for getting the justice possession of the subsidiary. Firms might employ in founding latest articles not essentially for development of obtainable constructions but to do away with a part of their operations through outright sale. Additional causes, reinforcement the principles of enterprises continuing their members to supplementary bodies comprise limiting the extent to which the parent company's assets may be exposed to legal liability. Baker *et al.* (2008) existing a operational explanation of organize as the capacity to provide way to policies and management of a company. This influence is frequently implemented by parent-enterprises through the yearly board director-meeting. Commerce permutation adjusts the accessible formation of firms,

consequential in the appearance of multinationals and large business undertakings. The spreading out in scale and mass of procedures often effects in manifold unpredicted managerial challenges and decapitations. The promising multipart enterprises environment as maintained by Baker *et al.* (2008) initiates deviating types of enterprises arrangements, captivating official and familiar understandings. Baker *et al.* (2008) stated that the majority enterprises promote the official constitution while conducting quiet above unofficial structures on their books due to difficulty of enforcing the terms therein. Unofficial understandings, conforming to Baker *et al.* (2008), are frequently symbolized by autonomy, partition of possession, and simplicity of execution.

5.3. Institutional Theory Accounting

Carpenter & Feroz (2001) used Institutional Theory to explain four US state governments' decisions to replace from a method of accounting based totally on recording cash flows to techniques of accounting based on GAAP. Institutional Theory has a bent to take a broader macro view to provide an explanation for why organizations take on particular forms or particular reporting practices.

Institutional Theory therefore provides an explanation of how mechanisms through which organizations may try to regulate impression of their practices and traits with social and social traits (so as to gain or retain legitimacy) become institutionalized in particular organization. These 'socially constructed systems, Organizations not only operate separately at a micro level but they also constitute and operate within a larger macro social system. Organizations' are legitimate if they: conform to relevant laws and regulations (regulative institution); conform to fit in with regularizing foundation; or conform to a 'common definition of the situation, frame of reference, or a cultural-cognitive institution.

Institutional Theory also provides an argument that, while organizations might put in place particular processes, such processes might be more for 'show' than for influencing corporate conduct. Institutional Theory has become a significant and incredible hypothetical point of view inside authoritative examination; typically embrace a view that managers are expected to conform to norms that are largely imposed on them (although there are a number of institutional theorists who also emphasize how across time actions of particular organizations feedback and influence perceptions about legitimate institutions).

6. Conclusions

In this research, we verified the growth of The International-Accounting-Standards-Board (IASB). The focus of this research was to provide a review of some practical and conceptual issues related to accounting system of modern entities in parallel with Jordan and Romania. In 1973 the predecessor of the International Accounting Standard Board was formed. This global organization was allocated to extend Accounting-Standards for intercontinental employ. These Accounting-Standards are characterized the International-Accounting-Standards. Most of them have been developed in the time between 1973 and 1987. During 1987 and 2000 the work efforts in the harmonization process have been mainly influenced by the agreement of the IASB and IOSCO to develop a list of IAS. The I.A.S.B has accomplished main consequences in the harmonization procedure, but is immobile seeking and searching for acceptance of its standards. After all, for us, it appears that we have no way so seal to harmonized Accounting Standards than in the year 2002.

Additionally, we described implementation of financial accounting on a global basis. And we provided the description of the accounting theories for accounting. From this we concluded, that IASB plays a crucial function in the field of international convergence. This possibly will be explicated through the accomplishments of it. As a major claim of the I.A.S.B we observe the necessitate for a international enforcement to promote the uniform application of IAS/IFRS. We asserted that in arrange to realize that purpose a regular explanation and direction of the standards is necessary. The aims of the IASB can be therefore considered as very challenging and we are unsure, whether a global convergence of Accounting Standards would be ever possible.

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