

The impact of the economic environment on financial reports

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Abstract

Financial reporting represents a current issue of economic environment, given globalization and the recent economic crisis. Accounting -as profession - along with the investors and state institutions have started a comprehensive project of accounting convergence designed to improve the comparability of accounting information released by financial statements synthesis. The success of the project can only be provided by taking into account several constraints imposed by the economic environment, and not only. Therefore, attention must be paid to the voice of capital markets and large multinational corporations regarding the future development of financial reporting.

Keywords: IFRS accounting convergence, foreign direct investment, multinational corporations and globalization.

Introduction

In recent decades, the market economy has undergone a series of profound changes, not only by resetting the currents of thought of the theoretical model, but also through the current practice that configures its defining elements. Among these, “globalization” is included as a concept which involves outlining a theoretical model of harmonization in the area of interest of financial reports.

The process of globalization leads to an intensification of interdependence between world states and nonetheless, between firms

operating in a market economy (Dobrotă, 1999). Globalization is a generalized phenomenon characterized by a continuous indefinite evolution, affecting most activity domains of the company.

But Soros (2002) draws attention to the essential feature of this phenomenon, namely to that of facilitating migration of financial capital in the world, in the context of ensuring an optimal-useful allocation of available financial resources. Cioarna (2004) justifies the need for globalization on account of the increasing role of multinational companies, a thesis inclusively validated by the latest evolutions of level of foreign direct investment and capital markets.

Today we watch a continuous trend of increasing globalization of production capacities, internationalization of capital markets and nonetheless the exponential growth of the components of national trade balances. Therefore, reducing regional economic disparities can be resolved only by harmonizing public policies that should be carefully monitored. But great attention must be paid to the constraints imposed by a healthy economic growth, which should be based on creating added value¹.

Although advocates of globalization support the project of a “global open society” policy makers need to take into account the substantive issues involved. Many difficulties occurred along time have attracted the attention of specialists on various levels of discussion. A fundamental variable taken into account was that of financial communication process on one hand, and that of quality of the information released from financial accounting statements of multinational companies, on the other hand.

Material and methods

In this paper we will use the comparative analysis of various economic indicators, reflecting the impact of the economic environment on developments of financial reporting. In order to underline the effect of globalization on the financial statements of synthesis, in the light of the economic environment and financing system, we opted for a comparative regional analysis of the following aspects:

¹ In the context of Pareto’s theory of optimum, economic resources are limited; the phenomenon of globalization giving birth to major regional imbalances by moving financial capital without any restriction, therefore, the value added is the solution to reduce the negative effects of these capital movements, aiming an improvement of profitability-risk binomial of investment portfolios.

► Regional structure of GDP (gross domestic product), its main components (agriculture, industry and services respectively), to highlight the main directions of current research targeted on financial reporting (the option for a conceptual accounting frame vs. general accounting plan, solving appraisal and valuation accounting problems, classification and recognition in accounting, regulated financial reporting vs. voluntary financial reporting binomial, etc.);

► Evolution of foreign direct investments and exports level, meant to display a clearer picture of the interconnections established between the worlds states;

► Correlated analysis of capitalizing the largest stock markets in the world, with the development and expansion of multinational corporations, which leads through visible pressure on accounting standardization bodies to a configuration alteration of accounting information market.

Furthermore, this paper brings into light some of the results of empirical research that starts from INTCOM the PWC report (2011) entitled *IFRS adoption by country*. From this research, results on current situation of global IFRS adoption are obtained.

Literature Review

Accounting normalization the context of globalization

At the basis of economic decisions there lie, especially, financial accounting statements, accompanied by statements that concern strategic information and respectively situations that reflect developments of certain non-financial indicators. The latter are addressed mainly to shareholders, financial analysts, the state and the unions.

Frost C. & Lang M. (1996) mention in this respect, four fundamental directions that create the premises for a healthy financial reporting, aiming at:

► *Cost effectiveness*, which requires reporting only if the reporting costs are fully covered by the benefits;

► *Market liberalization*, which should support fair competition and punish unfair competition attempts;

► *Financial transparency*;

► *Equal treatment*, for foreign and domestic companies too.

Accounting and globalization can not be separated, given that the former is the product of socio-economic environment and the globalization phenomena spreads over the entire chain of economic activities. Flagella of globalization give rise to joint initiatives, to harmonize the form and content of financial statements, both in the direction of financial situation tutors and that of accounting information users. Whether we are talking about accounting harmonization, accounting convergence or financial standards, the collective efforts done by the governments to get to the “communization“ process of the accounting language items, are welcome. All these draw a sketch of current landscape of accounting information market, deeply affected by informational asymmetry caused by a variety of factors.

Currently, the accounting information market is facing an image crisis, in terms of quality of the financial information released by synthesis financial situations available to users. Beginning with the fundamental problem of lack of a conceptual accounting framework uniquely accepted, and continuing with references to the volatility of different assessment bases used in accounting; discussions on the ideal level of prudence in accounting; degree of synthesis of financial information or frequency of financial reporting, the accounting profession has to answer many questions. We believe that the phenomenon of globalization is a way in which financial reporting can be optimized by comparative analysis of various accounting referential and identifying the best accounting practices and principles existing at a time.

The phenomenon of globalization has led to many changes in terms of financial reporting, since the beginning of the 60s, together with shaping international professional bodies, which have directed their attention to approaching comparative accounting systems and have implemented a difficult project to harmonize international accounting. Hesitating, accounting harmonization process attempts were transformed over time in real efforts to reduce international accounting differences, based on *legitimizing* international professional bodies; more widely shared worldwide and a visible trend of *accounting deregulation*.²

² Through deregulation, professional bodies become the main factor in accounting normalization, while the state is concerned, especially for ensuring that the provisions of accounting standards are applied.

IASB³ has undertaken the responsibility of coordinator of this well-appreciated approach and it was strongly supported by IOSCO⁴, World Bank, IMF, EFRAG and the national professional bodies. The proof is the number of over 100 countries using International Financial Reporting Standards, considered in the last decade by more and more countries as a reference in developing national accounting standards. Moreover, there are many countries that have either opted to incorporate referential IASB accounting in national accounting law, completely (Argentina, Bosnia Herzegovina, Kazakhstan, Malaysia, Thailand, Turkey, United Arab Emirates, Vietnam, Mozambique etc.); or they have chosen the way of harmonizing national accounting legislation (Germany, China, India, Egypt, the Philippines, Hong Kong, Serbia, Spain etc.....).

If during the stage of *accounting harmonization*, national accounting standards sought solutions for the equivalence of different treatment strategies and accounting, *accounting convergence* project is considered to be more ambitious. It states that international accounting standardization bodies (IASB, FASB) *to develop comparable, high quality accounting standards that can be used for both - international financial reporting and financial reporting individual* ("Norwalk Agreement", 2002).

This project enjoys broad support among those involved in accounting normalization; that fact is actually confirmed by a survey conducted by the AICPA (2008), which revealed that international accounting convergence process is supported by approximately 90% of the 143 respondents (from 91 countries), representing important leaders involved in the regulatory accounting.

Whether talking to U.S. GAAP or IFRS as international accounting standards, we observe that in the past decade these have gained ground in front of national accounting standards, due to the process of transparency in international standardization (*due process*) (Jorissen et. Al., 2012), and due to the quality of accounting information released by the financial statements drawn up in the spirit of international accounting standards of those international accounting referential (Soderstrom & Sun, 2007).

³ International Accounting Standards Board

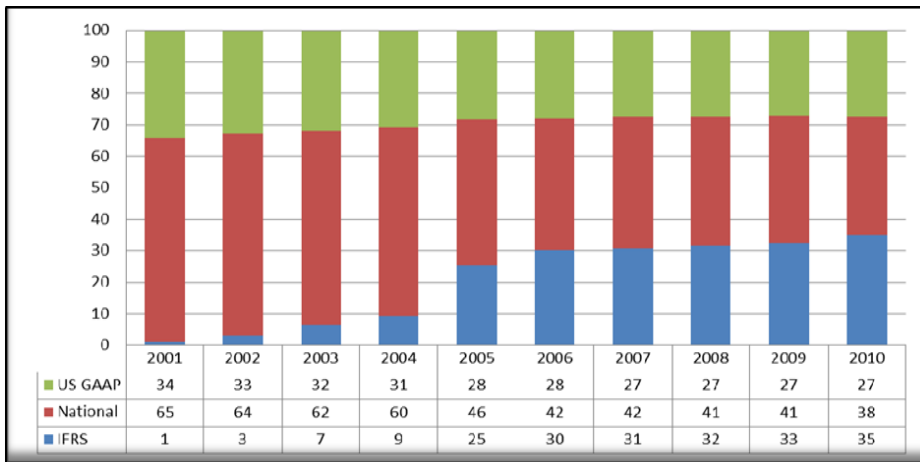
⁴ International Organisation of Securities Commissions

Normalization process should become a flexible one; adaptable to changes occurred amid a continuous globalization phenomenon. Equally, accounting standards should promptly respond to financial information needs of users, so that accounting information becomes useful.

The origin of the differences between accounting referential can be explained both on the account of differences in perception and interpretation of certain economic and financial transactions at the level of accountants; and amid a low degree of formal accounting harmonization between these referential.

Due to the complexity of the current economic system, the process of normalization of the accounting system cannot comprise by texts of law, because of the variety of situations that may arise in the future. That's why, professional judgment must relate the facts to the already existing economic law, and not deviate from the desire of true and honest image.

Percentages of use in annual financing reports



Source: UNCTAD, 2011

In some measure, the acceptance of these facts as an integrative part of the decision making process can not be fully eliminated. This is found in both accuracy of accounting information which is subject to human error, and the processes, methods and techniques used by the accounting instruments of a company.

Both - difficulties of accounting normalization and those that are close to the current accounting practice rules - generate most of the times a gap between the structure of the accounting information (offer and demand). In covering these gaps, accountants are forced to resort to various strategies and creative accounting policies. In this context it is essential to emphasize accountant's intention in using these legislative breeches to achieve legality of creative accounting techniques that have been used (Stolowy & Breton, 2004).

Economic environment and accounting normalization

Economic environment creates pressure on the accounting profession, both through the evolution of the privatization process and the process of globalization of national economies and internationalization of trade relations.

Together with the mutations occurred in the structure and functioning of the economic system; accounting too must meet new financial information needs by adjusting existing accounting standards to the new economic conditions. Thus, through privatization, accounting information market has known an increase in the number of users of accounting information and a diversity of information requirements.

Saudaragan (2004) identifies several basic sources that generate pressure to accelerate the harmonization of financial reporting standards, namely:

- ▶ *Groups of investors*, from financial statement user position;
- ▶ *Multinational companies* that prepare annual accounts;
- ▶ *Regulatory bodies* that monitor compliance with the law;
- ▶ *Capital markets* by investors playing on scholarship;
- ▶ *Transition countries*, which lack the necessary resources to achieve national accounting standards, in order to meet the current requirements of the users.

From the perspective of globalization phenomenon, the financial power that multinational companies increase day by day is relevant. In these circumstances, the state as the main actor in the accounting regulations is strongly influenced by the trans-national strategies and decisions (including regulations regarding financial reporting), only in order not to lose substantial contributions to the state budget obtained from these companies.

These influences are visible through the voice of numerous international organizations, corporations that consist of multinational

different groups according to the activity domain, region served and directly through members appointed in various accounting regulatory institutional structures.

Equally, large cabins accounting (Deloitte, Ernst & Young, Price Water Coopers and KPMG) have a clientele that largely represents these multinational corporations. These are the true exponents of international accounting convergence, both due to significant reduction of staff training costs and also due to reduction drafting of the financial statements costs.

List of the first 10 world multinational corporations⁵

(billions of dollars)

Pozi tion	Company	Country	GDP	Sales	% GDP	Assets	% PIB
1	Exxon Mobil	SUA	\$14,991.30	\$433.50	2.89%	\$331.10	2.21%
2	JPMorgan Chase	SUA	\$14,991.30	\$110.80	0.74%	\$2,265.80	15.11%
3	General Electric	SUA	\$14,991.30	\$147.30	0.98%	\$717.20	4.78%
4	Royal Dutch Shell	Nederland	\$836.07	\$470.20	56.24%	\$340.50	40.73%
5	ICBC	China	\$7,318.50	\$82.60	1.13%	\$2,039.10	27.86%
6	HSBC Holdings	UK	\$2,445.41	\$102.00	4.17%	\$2,550.00	104.28%
7	PetroChina	China	\$7,318.50	\$310.10	4.24%	\$304.70	4.16%
8	Berkshire Hathaway	SUA	\$14,991.30	\$143.70	0.96%	\$392.60	2.62%
9	Wells Fargo	SUA	\$14,991.30	\$87.60	0.58%	\$1,313.90	8.76%
10	Petrobras-Petróleo Brazil	Brasilia	\$2,467.65	\$145.90	5.91%	\$319.40	12.94%

Source: Forbes 2000, corresponding to 2011 fiscal year and 2011 World Bank statistics 2011

Last but not least, the new international accounting standardization process (due process) encourages the active participation of all those involved in financial reporting, including multinational companies. Thus, international accounting standardization

⁵ The relatively small share of U.S. trans-national companies in U.S.'s GDP can be explained by a high degree of atomisation, given by a large number of such multinational companies carrying out economic activities in the U.S.

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approach will enjoy greater legitimacy. Unfortunately, at present, only large accounting offices, as well as representatives of national accounting regulatory bodies actively participate in IASB (Georgiou, 2010), multinational corporations opting for delegating these tasks to accounting and auditing practices.

Commercial exchanges registered in 2011

(billions of dollars)

Destination		World	North America		Europe			Asia		
Origin	Year		Total	United States	Total	EU (27)	Other Europe	Total	Japan	China
World	2011	17816	2923	2139	6881	6223	658	5133	780	1353
North America	2011	2282	1103	588	382	328	54	476	79	127
United States	2011	1480	480	.	316	268	47	412	66	104
Europe	2011	6612	480	392	4667	4257	410	639	77	204

On the other hand, globalization leads to a liberalization of worldwide trade. Note that including China recorded a significant share of exports in GDP, over 25% of GDP, despite the available resources. In addition, according to the balance of China's exports in 2011, we find that over 21% of the exports are made with partners in the European Union and those in the USA. Therefore, completion of Chinese accounting standards convergence programme with international accounting referential, by creating standards converged with IFRS standard, with legal effect in 2007, is a predictable step made by the Chinese in strengthening economic relations with major global economic forces.

	Euro Zone	USA	Japan	China
<i>GDP</i>	13079.86 USD	14991.30 USD	5867.15 USD	7318.50 USD
%	46.17%	9.87%	14.03%	25.93%

In this context we mention the study of Ramanna & Sletten (2009). They find that countries that have either partially or entirely adopted IFRS and have close relationships with the world of international trade, register a continuous reduction in the level of

transaction costs. These reductions are perceived by the countries that have not adopted IFRS as benefits released by the commercial network of the countries that have already chosen the path of implementing IFRS. The perception of future cuts in transaction costs with the adoption of IFRS determines also countries with moderate commercial power⁶ to adopt IFRS partially or fully considering specific institutional factors.

Also, the structure of a country's economy has a notable influence in the accounting regulations. R. Bowen et. al. (1999) conducted a study analyzing accounting options on stocks and the depreciation of assets, for a sample of 2,000 companies using financial figures for the years 1984, 1990 and 1996. They found that the choice of accounting methods for inventory valuation and that of accounting and the accounting depreciation are directly affected both by various economic incentives and the industry in which a company operates⁷.

Therefore, the structure of a country's national economy leaves its mark on the evolution of accounting, which again reinforces the origin of the accounting system, representing a resultant of society's dynamics determinants as a whole.

This conclusion is strengthened by the U.S. accounting law, which focuses on the specific accounting industry level. Given that within the accounting systems based on generally accepted accounting principles, normalization is achieved through an inductive approach, it is a clear importance, in accounting regulations, of current practices in the oil industry or the financial services sector.

Internationalization of trade has led to the same extent, to an international relocation of production, based on financial considerations regarding opportunities of remuneration of factors of production; in a global economy segmented by numerous economic social disparities. Internationalization of production was possible, either by acquisition of existing production capacities in other countries, which produced significant movements in the *market of combinations and acquisitions of companies*, or by building new ones, both reflected in the figure with *foreign direct investments*.

⁶ We refer to GDP trade share

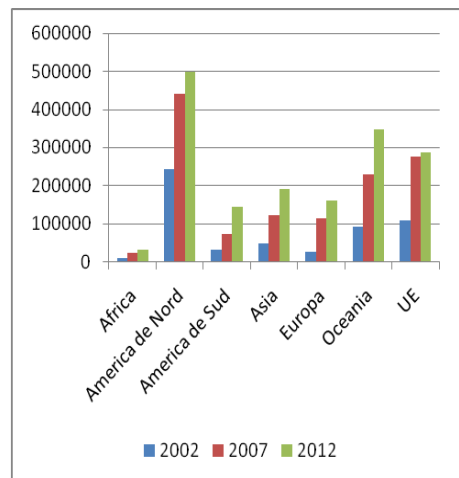
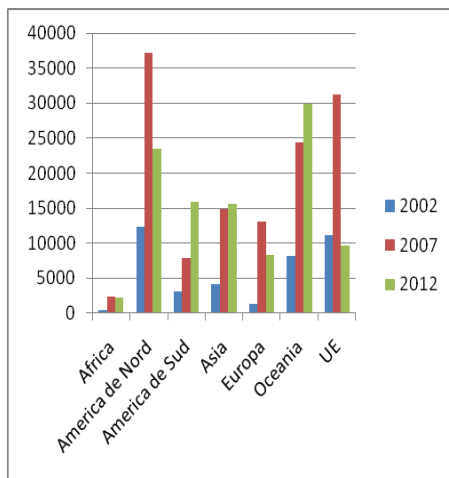
⁷ Bowen R.M. et. al., „ *Economic and industry determinants of accounting method choice* ”, working paper, University of Washington Business School, available on www.ssrn.com;

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Francis et al. (2012), based on the information on the number of mergers and acquisitions and the value of these transactions in the years 1998-2004, conclude that pairs of countries with a real similarity between local accounting standards register a volume of FDI directly superior to the pairs of countries with inconsistent local accounting standards.

FDI Average (stock)

FDI average (flow)



Source: UNCTAD Statistics, own calculations

On the other hand, Akisik & Pfeiffer (2009) undertake a study that validates the argument according to which among the determinants of foreign direct investment in the whole foreign investment; there is also a set of high quality reporting standards. It is obviously a more pronounced interest of North American or the EU⁸ member countries to ensure the economic system with a solid pack or financial reporting standard, in order to increase the confidence of investors. This strategy

⁸ Using the voice of Van Hulle (1990), EEC (European Economic Community) highlights the importance of accounting harmonization process in the context of building a single EU market, a step in this direction represents Regulation 1606/2002 of the European Commission and the European Parliament, though which the listed companies were required to draw up consolidated financial statements in accordance with IFRS adopted by the EU through the endorsement process coordinated by ARC;

can be seen from the higher level of foreign direct investment in these regions compared with African countries, for example.

The financing system and accounting normalization

Funding system has a fundamental role in accounting referential configuration. In the specific literature it is clearly outlined the influence exerted by the credit institutions or capital markets over financial reporting.

The influence of financing system is closely related to Gray's cultural values, which aims to the level of risk avoidance and the degree of caution of accounting information released by synthesis financial statements. In close connection with the dilemma of assumed uncertainty level, there also arises the problem of mainly creditors' influence or investors', when designing financial statements. It is therefore essential when analyzing the profile of an accounting system, to fit the financing system into one of these groups (Zysan, 1983):

- ▶ Capital systems based on capital markets;
- ▶ Capital systems based on credit markets, governmentally controlled;
- ▶ Capital systems based on credit markets, controlled by financial institutions.

Top 10 stock markets in the world, together with their total capitalization numbers

Stock market	Country	Currency	Nr of companies December 2011			December2011		
			Local	Foreign	% total	Local	Foreign	% total
America								
BM&FBOVESPA	Brazil	BRL	366	7	1.88%	125087	192	0.15%
NASDAQ OMX	USA	USD	2 383	297	11.08%	721159	59699	7.65%
NYSE Euronext (US)	USA	USD	1 788	520	22.53%	1036860	90286	8.01%
TMX Group	Canada	CAD	3 845	100	2.53%	107791	1320	1.21%
Asia – Pacific								
Australian SE	Australia	AUD	1 983	96	4.62%	66797	1916	2.79%
Hong Kong Exchanges	China	HKD	1 472	24	1.60%	552224	4223	0.76%
Japan Exchange Group	Japan	JPY	2 280	11	0.48%	18236100	1150	0.01%
Shanghai SE	China	CNY	931	NA		1022040	NA	
Europe								

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London SE Group	GB	EUR	2 288	598	20.72%	93693	16820	15.22%
NYSE Euronext	USA	EUR	969	143	12.86%	82032	240	0.29%

Source: World Federation of Exchanges, Market Highlights 2011

In the case of a developed capital market - specific to the Anglo-Saxon systems and companies - financing is provided predominantly by capital market participants. Investors' group heterogeneity determines the need for increased transparency in financial reporting, designed to provide a variety of financial needs. Therefore, in the case of accounting standards that serve to a strong capital market demand, a greater volume of financial reporting is required than in the case of Continental Europe accounting standards.

Moreover, companies develop current financial reporting practices voluntarily, in order to fend off potential litigation or reputation costs. In addition, the option for International Accounting Standards is very pronounced in the sense of voluntary adoption of IFRS, compared to countries characterized by low stock market capitalization.

Oversight committees of stock exchanges, as an active player in the regulation of financial reports, in the case of developed markets, require much more demanding admission criteria for listing regarding the strategy and policies of financial reporting, capital markets compared to less developed capital markets.

After IOSCO take of attitude in terms of accounting harmonization, capital markets expressed openness to a new phase in financial reporting matters. With the report, *A resolution on IASC Standards* (2000), IOSCO recommended its members to allow the use of 30 IAS standards in order to draw the financial statements of a multinational and listed companies. However, this recommendation is conditioned by the possibility of providing by means of capital markets regulation, soliciting a reconciliation of the financial statements prepared in accordance with local accounting standards IAS. It was also imposed the possibility that capital markets regulators have the right to request additional financial statements, either as individual situations or inside the notes to the financial statements of synthesis. Therefore until 2007, the U.S. called for European companies listed on U.S. exchanges; have Form 20-F representing the situation of financial statements

reconciliation drawn in accordance with IFRS and U.S. GAAP requirements.

On the other hand, Ball et. al. (2008) explain the formula for financial reporting in a country in relation to the indebtedness of the country, the development level of the capital market, the type of legal system, protection of creditors, or the level of corruption (considered to be a defining part of the political system). They argue that standardized accounting information market is influenced mainly by the creditors, as compulsory required financial statements represent their only source of information that has legal effect. Creditors require financial statements that reflect prudential financial condition of the company credited through instant recognition of the gains and losses of the period, and a decrease in earnings management practices.

Research Methodology

This research starts from the study by PWC (2011) on a number of more than 120 countries worldwide. This study aims to outline a picture of the current status of IFRS adoption worldwide, where listed companies, both in the consolidated financial statements and in terms of the statutory financial statements. In this study each country is treated separately.

Researches present centralized and summarized information on legislative regulations imposed on listed foreign and domestic companies, regarding the adoption of IFRS. In this study we identified three options admitted in the research, namely:

I. Group of listed foreign companies:

I. 1. IFRS standards are mandatory

I. 1.a. on the consolidated financial statements level;

I. 1.b. on the individual financial statements level;

I. 2. IFRS standards are permitted

I. 2.a. on the consolidated financial statements level;

I. 2.b. on the individual financial statements level;

I. 3. IFRS standards are prohibited.

II. Group of listed domestic companies:

II.1. IFRS standards are mandatory

II. 1. a. on the consolidated financial statements level;

II. 1. b. on the individual financial statements level;

II. 2. IFRS standards are permitted

II. 2.a. on the consolidated financial statements level;

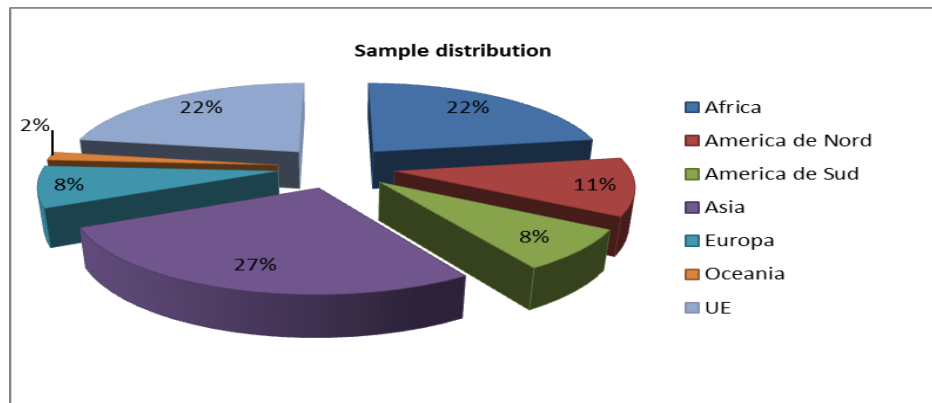
II. 2.b.on the individual financial statements level.

III. IFRS standards are forbidden

III. 3.a. on the consolidated financial statements level;

III. 3.b. in the financial statements.

The surveyed country sample consists of 129 jurisdictions, divided into regions, as reflected in the graph below:



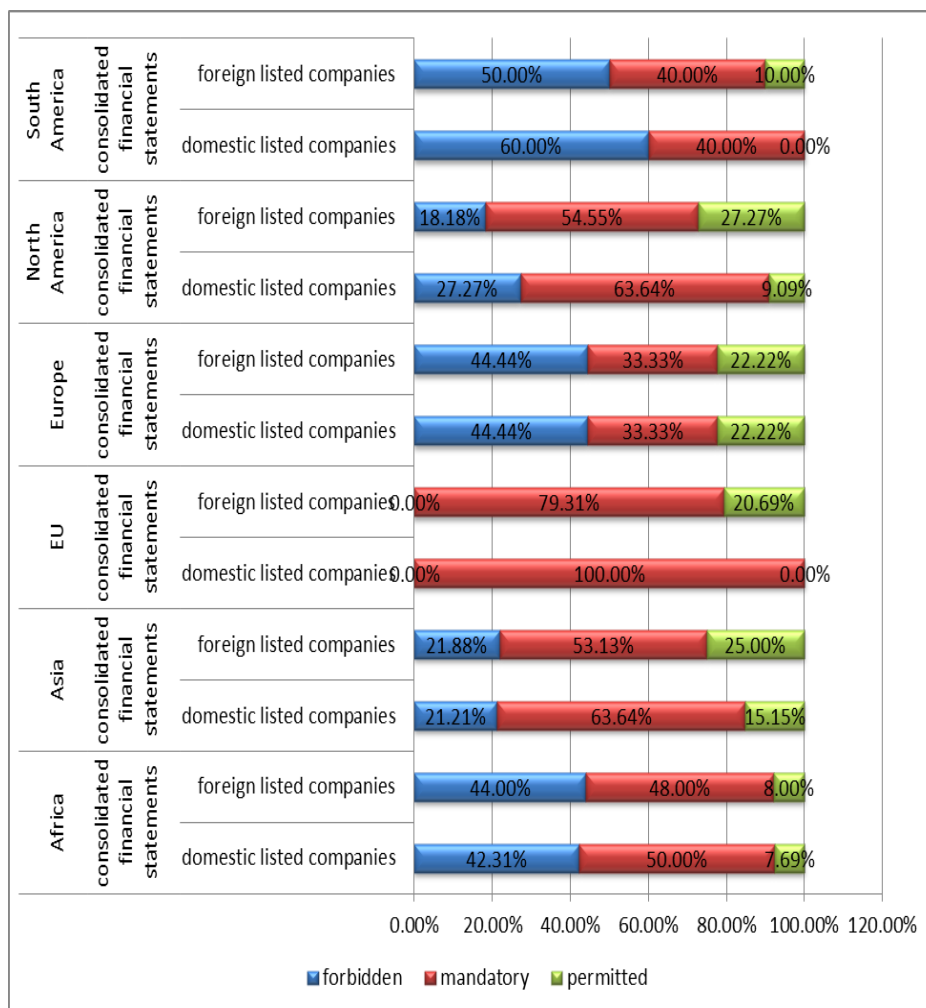
Source: Data synthesis IFRS adoption by country, PWC 2011

Results and Discussions

Special literature provides in the numerous attempts, determinant factors of financial reports configuration, where both economic environment and especially the system of financing are considered fundamental in the analysis of financial reporting evolutions (Choi & Meek, 2011; Nobes & Parker, 2008 Camp et. al., 2010, Roberts et al., 2005).

Both - capital markets pressure and credit conditions - imposed by most of the core international credit institutions (IMF, World Bank, EBRD, etc.), have led to a state of facts, predictable for several years and triggered together with Regulation 1606/2002 of the European Parliament and the European Commission, where it is compulsory for the entire European Union to draw consolidated financial statements in accordance with IFRS accepted by the EU.

Situation of applying IFRS, on consolidated situations level



Source: own research starting from PWC 2011, IFRS adoption by country

The situation is presented in the chart above. We can see how most of the states require mandatory consolidated financial statements for both - domestic listed companies and foreign listed companies, or to their subsidiaries.

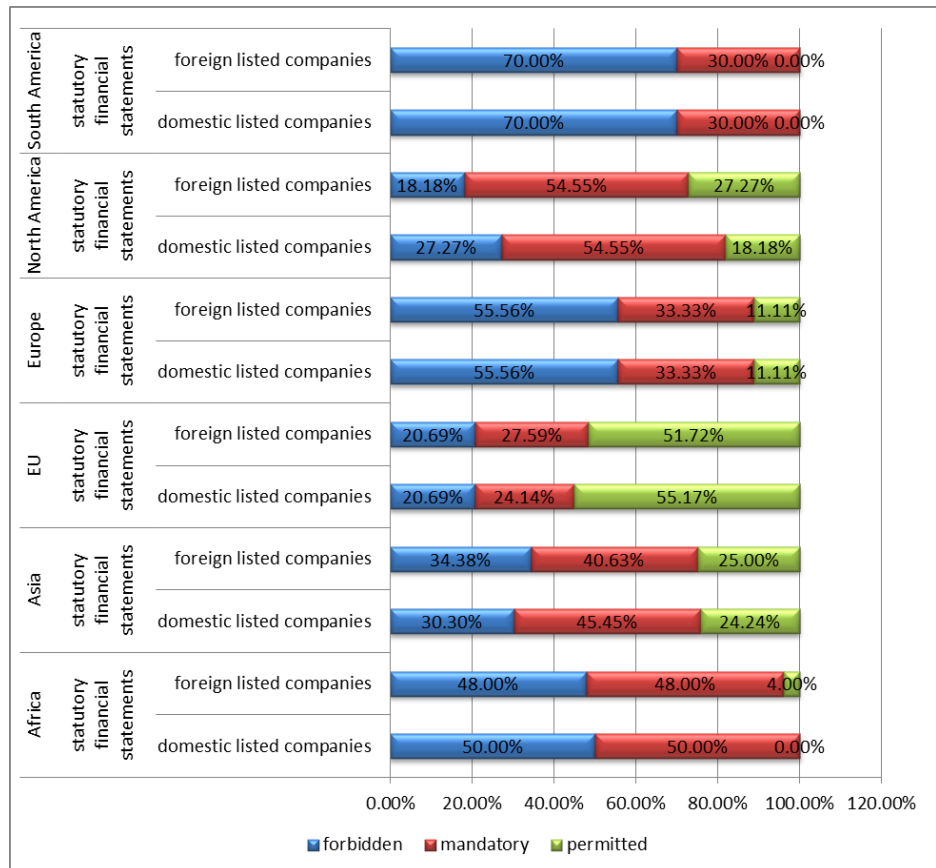
This state of affairs is mainly due to the existence of strong capitalized stock markets, with a share of the increasingly significant component of foreign companies. Thus, these companies no longer need to write two sets of financial statements, a set required by the national

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legislation of the residence country, and another set of individual financial statements useful in the process of consolidation of the annual accounts of the parent company.

Also, in order to ensure the prerequisites of an effective decision making process, many of these countries require the use of IFRS for drawing consolidated financial statements, not only to foreign companies adopting IFRS, but also to a large number of domestic companies listed.

Applying IFRS, on statutory financial situations level



Source: own research starting from PWC 2011, IFRS adoption by country

Under these conditions both individual investors and institutional investors are able to analyze the profitability of foreign

companies compared to domestic companies and will be able to achieve an efficient allocation of financial resources by building an investment portfolio characterized by economic profitability and diminished assumed risk. In the case of speculating investors there will be able to perform comparative liquidity analysis on international level.

Conclusions

Accounting normalization scene has undergone major changes due to the process of globalization. Through internationalization of capital markets, the evolution of multinational companies and not at last globalization of trade, the world economy has received a new look.

These deep changes occurred in the structure of the world economy and have achieved a number of significant changes to the financial reports level. Starting from the mandatory financial reporting - voluntary financial reporting binomial, we assess an improvement of accounting information comparability released by synthesis financial statements, due to the process of process improvement accounting normalization.

The premises that lie at the basis of this process reflect a real accounting deregulation phenomenon on one hand. On the other, international professional bodies become the exponents of accounting normalization process, thus ensuring the prospect of future accounting standards of quality. However, the state remains a key decision factor in accounting practice, through the institutional framework which shall ensure the correct appliance of the national accounting standards, heavily influenced by the international ones.

Despite the signals of resistance to change expressed by the state, especially through the endorsement of international accounting standards, international accounting project of convergence is conditioned in the greatest measure by the quality of enforcement process designed by the institutional framework of each country . Their mission is more difficult with the new trends that reveal an increase in accounting harmonization between countries, but negatively affects the degree of national accounting harmonization.

Together with the accounting convergence process, at least two accounting systems have emerged in most countries. One is based on the international accounting standards, and the other one based on the domestic accounting system. In these conditions, increased attention should be paid to dominant the accounting system of a country, while

the complementary accounting system must develop its self-regulatory function as much as possible.

The capital market is the most appropriate to support this function, especially due the broad variety of parts involved. To this, it is also added corporate governance practices more increasingly within large multinational corporations based on concentration of ownership reduction. Last but not least, the economic environment must meet the financing needs of an effective educational system, able to form a competent professional body, and which must be supported by a solid expertise of members of professional accounting bodies.

All these together determine the resultant efforts to improve comparability of financial information and transparency of the financial reporting process. Although signs are encouraging, accounting convergence process should continue, but taking into account the constraints imposed by the political and economic situation of the moment.

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