Accounting and the state in post-communist Romania

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Abstract: This research integrates Broadbent and Laughlin’s (1997, 2005, 2013) views on societal transformation while aiming to discover the state’s influence over accounting – through accounting regulations issued as an absolute standard setter – during the transformation process of Romania from a communist centralised economy to a market economy. Using an interpretative qualitative methodology, this research demonstrates the dominant role of the state on accounting and the internal colonisation of organisations’ financial reporting, simultaneously with accounting ‘lifeworld’ in the early post-communist period. The study proves that this relationship had the tendency to change over time into an evolution-type relationship, and the societal institutions’ actions are getting closer to values and beliefs accumulated by accounting professionals. This is mainly due to the emergence of other societal mechanisms on the financial reporting market, such as the accounting profession and the financial institutions. International Financial Reporting Standards are a contributor to the decrease of the state’s influence.

Keywords: post-communist country; the state; tax-accounting link; accounting regulations; Laughlin and Broadbent’ schemes; professional accountants’ lifeworld; colonization changes; IFRS influence; professional and financial institutions influence; evolution type changes.


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1 Introduction

The main stream this research wants to contribute to is post-communist accounting and regulation, observing the power exerted by the state and other participants over Romanian setting, spanning over a period of 20 years of post-communist era. Romania is a former Eastern European communist country, currently classified as an emergent market.

The research objective is therefore to inquire into the accounting regulations (and their determinants) which had an impact on accounting (organisations’ financial reporting) and starting here on professional accountants’ lifeworld. Considering that the state dominated Romanian accounting during communism and this power continued for at least the first stage of the post-communist period under analysis, the proposition of our study in view of the main explanatory variable of the societal change (view as societal structures involved in accounting and their relationships) is the state accounting policy. Specifically, our paper analyses the accounting regulation changes induced by public funding requirements as main governmental incitation and operationalised by two drivers that affected the direction and intensity of the relationship between accounting and the state. The first driver, exerting an internal pressure, derives by the subordination of the accounting system to taxation, relationship thereafter referred to as ‘tax-accounting link’. The second driver, exerting an external influence, is represented by the regional (European Union – EU directives) and International Financial Reporting Standards (IFRS) accounting requirements. Other professional (the accounting profession) and financial (the banking system and the capital market) institutional evolutions which impact the accounting-state relationship are considered.

The theoretic construction of the research is founded on Laughlin and Broadbent’s (1997, 2005, 2013) schemes, in their turn, based on Habermas’ (1975, 1987) work. A framework adjusted to the Romanian context was developed in order to analyse the societal change related to the accounting environment. The components of societal change discussed in the framework are the *lifeworld* as a set of values and
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beliefs – professional accountants’ lifeworld, the societal steering media – the state and also other institutions that might play an influential role, and the organisational systems – organisations’ financial reporting, suggested by the behaviour of accounting professionals (the accounting practice). Organisations’ financial reporting is subordinated to accounting rules as a steering mechanism from steering media, guided by tools like the tax-accounting link and EU directives, respectively the IFRS. All these components are considered in their dynamic, starting from the early post-communist period, 1991 until 2010. The framework thus designed is supported by a qualitative methodology, a theoretical and then a practical application based on an interpretative analysis of

a the accounting writing and regulations

b an interview with professional accountants.

In an attempt to fulfil the research objective, this work comments on the state’s impact on accounting in the Romanian post-communist accounting history and on the emergence of new influences, such as the IFRS adopted in Romania in the second stage of the period under analysis, and the increase of shareholders’ and financial creditors’ importance as users of accounting information. It analyses an accounting system which has not distinguished between accounting and taxation, the tax-accounting link being a proxy of the complex interrelationships described in the study. Overall, the research has found that the state influence seems to recede due to the emergence on the financial reporting market of professional and financial institutions, to the tax-accounting link’s decrease in intensity, and to the adoption of an Anglo-Saxon type accounting system (connected to IFRS). The Romanian case may bring extra insight for emergent contexts, considering that societal change structures have been explored to a greater extent for Western economies (Laughlin et al., 1994a; Broadbent and Laughlin, 1998) and there is a gap in the literature in relation to developing economies. Also, the Romanian case study explores the effects of the accounting regulations imposed by the state on professional accountants’ lifeworld, particularly through tax-accounting link feature, adding inside for a specific context to the scarce literature on the issue.

Consequently, after describing the context of the investigation (Section 2), embracing Laughlin and Broadbent’s studies that applied Habermas’ theory on societal development to accounting, we designed the framework of the study (Section 3). Section 4 contains the interpretative analysis of the accounting writings and regulations and Section 5 presents the interview construct, the participants and his results. Section 6, comment on the influence of the state and other institutions over organisations’ financial reporting and professional accountants’ lifeworld. The conclusions of the study summarise the responses to the research objective.

2 Background

The accounting regulations issued in time incorporate as well the influence of the tax-accounting link and external accounting referentials, those two representing the drivers for the state-accounting relationship. In the next subsection, the literature review serve in demonstrating the state’s influence on accounting through taxation, which represents in our view the internal pressure exerted on the accounting regulations. Also, we intend to discover, beside the existence of the tax-accounting link globally and in
Romania, but also the opinions in literature on the dynamics and effects of such linkage, and eventually discover some gaps on the two last issues. In the Subsection 2.2, we offer some insight on the professional identity, as the professional accountants lifeworld is our subject of investigation.

2.1 Tax-accounting link

The premise of our study is that the influence of the state in former centrally-planned (or emergent) economies is mainly exercised through taxation, and to a greater extent than in other media. The fiscal policy, together with the monetary policy, is the main tool used to meet the macroeconomic objectives (e.g., Brown and Jackson, 1990; James and Nobes, 2000). Lamb et al. (2005) show that the fiscal policy is an important element in analysing the relationship between the state and society. With reference to the reform of ex-communist economies in Central Europe between 1990 and 1991, Barbone and Marchetti (1995) point out the strong pressure exerted by the state on organisations, looking for resources to cover the output losses of magnitude not encountered in market economies so far. Tax collection was affected by the collapse of the state-owned enterprise sector as a result of privatisation or the restructuring process of former enterprises.

Although the state is a tax collector and consequently accounting is kept to record taxes as liabilities and outflows, the tax-accounting link does not directly refer to this issue and is confined to certain contexts. The tax-accounting leads to accounting practices which deviate from the accounting regulations and trigger the use of creative accounting techniques (Atwood et al., 2010; Hanlon and Heitzman, 2010). As a result, accounting information is distorted and financial reporting users are misinformed. A significant extent of the tax-accounting link generates a decrease in the quality of accounting information and in the confidence of its users in financial statements. Thus, the tax-accounting link with the meaning adopted in this study refers to the indirect influence exerted by the state on accounting and on professional accountants’ behaviour. This linkage can be found in media where the so-called accounting-tax conformity is present, the tax-accounting link being the enhanced version of this phenomenon. The concept is defined by Radcliffe (1993) and discussed by Leader et al. (2010) as representing a financial reporting practice implying a substantial dependence on the choice of certain accounting treatments for drafting the financial statements, so that they would be conclusive for tax-related purposes.

The literature attests the existence of tax-accounting link in specific contexts. Nobes (2006) lists the tax system among the possible causes of political interference in accounting regulation. In the context of IFRS adoption, other studies demonstrate the existence of a strong connection between accounting and taxation in Central and Eastern European (CEE) countries, which could represent an item of disagreement between the international referential and the national rules (Sucher and Jindrichovska, 2004; Krzywda and Schroeder, 2007). The dependence on financial resources is also a factor highlighted by Bailey (1995), who demonstrates the state influence on accounting in Estonia, Latvia and Lithuania. For these particular contexts, it was argue that the professional judgment would rather take into consideration the tax requirements than the accounting principles (World Bank, 2003).

For Romania, the significant power of the state on accounting was frequently mentioned in historical studies (Feleagă and Ionașcu, 1993; Bailey, 1995; Richard, 1995;
Bogdan, 2004). Duțescu (2002) also highlighted the significant influence of taxation over accounting for the Romanian context, and expressed the opinion that at national level the financial information was useful particularly to the state, to the detriment of other users. Feleagă (1999) stated in an interpretative work that until 2000 it was not understood that the objective of a modern accounting system is to meet the requirements of information users and not to perform a control function, as the state used to do in relation with accounting. The accounting treatment was not differentiated from the fiscal one in certain cases, i.e., tangible assets which are considered by Istrate (2012) an argument in favour of the close connection between accounting and taxation in the period 1991–2005. The same author highlights the ‘identity’ type of the tax-accounting link for the period 1990–1993.

Empirical studies confirm such claims. After applying a questionnaire in 1997–1998, King et al. (2001) conclude on the significant impact of fiscal regulations on accounting. Albu et al. (2009) summarised the perception of some CECCAR representatives which showed that Romanian financial statements render a fiscal image, and that professional accountants work for the interest of the public authority, even if they are paid by the companies. Examining the fiscal influence on Romanian accounting with reference to the post-communist period until 2008, Fekete et al. (2010) found that taxation was the most powerful influential factor among the factors investigated, which determined the accounting choices of professionals. Deaconu and Buiga’s (2012) empirical study based on a questionnaire addressing 112 Romanian auditors in 2009, found that tax reasons prevailed in the explanation for the non-application of some principles/judgments in the cases in which events requiring professional reasoning have been determined. After interviewing 24 persons involved in accounting regulation and practice in Romania in 2008–2012, Albu et al. (2014) also highlighted that in practice, accountants do not deviate from tax regulations and that in the end accounting does not serve the public interest.

Considering the dynamics of tax-accounting link, in the landscape of the European countries, certain changes occurred in time leading to a decrease of accounting dependency on tax features. Thus, Haller (1992) studied the link between accounting and taxation in Germany from an historical point of view. Christiansen (1996) observes the major changes the introduction of the Fourth European Directive produced in the legislation of many European countries. The author considers this to be a starting point in the breaking of the tax-accounting link. In the case of Spain, a series of studies assert the decrease of the dominance of taxation over accounting as compared with the period before 1990 (Gallego, 2004; Oliveras and Puig, 2005). Eventually, there are recent studies based on Hoogendoorn’s (1996) or Lamb et al.’s (1998) schemes, which debate over the existence and dynamics of this relationship in Great Britain and, hence, in the whole Europe (James, 2009), or in Germany (Gee et al., 2010). The authors point out the evolution of the tax-accounting link, its complexity, and the perception or approach of the differences among jurisdictions. Hoogendoorn (1996) identified a tendency towards a structure where taxation was independent from accounting for all CEE countries, taking into consideration the pronounced market orientation in a context of development and increased awareness of the importance of accounting (financial) information in decision-making and in investment processes, while also pointing out the Continental European (CE) traditionalism manifested in certain jurisdictions through accounting conservatism (for example, Germany). To conclude, in the last years the tax-accounting link is maintained, although less strong, either at rules level or just at practices level (Aisbitt, 2002; Gallego, 2004; Tzovas, 2006).
The widespread adoption of IFRS can be considered among the factors influencing the dynamics of the tax-accounting link. In the case of Belgium, Jermakowicz (2004) considered that the IFRS effect could be distorted as the result of a close relationship between accounting and taxation in that jurisdiction. Although IFRS are intended for consolidated financial accounts in Europe, several authors also foresee the application of this referential for individual accounts in the future (Aisbitt, 2002; Eberhartinger and Klostermann, 2007). Aisbitt (2002) also stated, on the basis of the conclusion that IFRS were likely to accelerate the differentiation between accounting and taxable profit in group accounts, that the binding link between tax and financial accounts would be generally removed. The introduction of IFRS represented a step towards the ‘watering down’ of the tax-accounting link, which is deep anchored in the CE-type accounting system (Hung and Subramanyan, 2007; Ionașcu et al., 2007; Eberhartinger and Klostermann, 2007), and led to a closeness with the AS-type system, as it is the case in Norway (Nobes and Schwencke, 2006).

As tax-accounting link dynamics in Romania, Fekete et al.’s (2012) empirical research show it important decrease between 2003 and 2007, as interval of a longer investigated period, i.e., 1991–2010. The authors conclude that accounting and tax rules manifest a tendency towards disconnection, although the strength of this phenomenon is rather low. Similarly, through an empirical approach conducted at regional level using an interview followed by a questionnaire addressed to Romanian professional accountants, and then by the developing of an econometric model, Cuzdriorean et al. (2011) illustrate the existence of the tax-accounting link, whose magnitude decreased during the period 1990-2011, leading towards dispersion. One of the causes revealed by the authors is the direction imposed by the national rules, consisting of a series of elements taken from the IFRS.

Moreover, the dynamics of the tax-accounting link was enhanced by the significant number of normative acts and amendments to the tax regulations that occurred before 2004, as shown by the study of Cuzdriorean et al. (2011) that identifies 210 changes to the rules on the income tax based on the content analysis of 59 normative acts. Through the enactment of Law no. 571/2003 by Ministry of Public Finance (MPF) concerning the Fiscal Code it may be considered that the changes in the legislation on the profit tax occurred in the post-communist period under four successive laws or government orders and decreased in number after 2004, conferring an apparent stability on tax regulations (Cuzdriorean et al., 2011). Istrate (2012) and Albu et al. (2014) justified the process in a similar manner, as a result of a certain maturity reached in tax regulation, a sign of the unlink, at least de jure, being the requirements for different fiscal approaches than the accounting approaches for certain assets or transactions. However, Istrate (2012) suggests that in practice accountants did not dismiss the fiscal approach, the explanation being the convenient implementation of only one approach instead of two distinct pieces of evidence, especially in the case of SMEs with limited financial resources.

As effects induced the tax-accounting link, after reviewing the content of fiscal and accounting regulations for the period 1994–2010, Istrate (2011) claims that the objectives of accounting were considered only in terms of taxation and this inevitably led to the distortion of accounting information. Commenting on the tax-accounting link, Feleagă (1999) also states that this could seriously harm the observance of the fair view principle (the dominant principle in Continental Europe in that period). Arguing that accounting objectives came to be reasoned only with respect to taxation, Istrate (2011) showed that this led inevitably to the distortion of accounting information and Feleagă (1999) stated...
that this could generate serious damages to the observance of the fair view principle (dominant principle in Continental Europe).

Our study aim to demonstrate, theoretically (by the description of accounting regulations and institutional factors evolution) and empirically (by the interview results), starting from the assertion of the existence of tax-accounting link and his evolution in Romania, his impact on organisations’ financial reporting and therefore on the professional accountants lifeworld. Moreover, the literatures on the dynamics of tax-accounting link, even scarce, sustain our proposition on the periodisation of post-communist time-frame, namely 1991–2000 and 2001–2014 stages. The findings on the European and Romanian contexts on the effects of the tax-accounting link are even scarce, and do not focus on the professional accountants lifeworld, as we intend to do.

2.2 Professional identity

Our research considers the accounting professionals’ lifeworld evolution, rather than the professional bodies’ evolution. Professional accountant’s behaviour and lifeworld in this study are in relation with professional identity. Professional identity construct finds its roots in the work conducted by Foucault. Furthermore, as previous studies conducted by Miller and O’Leary (1987, 1994), documented people are constructed by accounting and accountants as calculating, competitive and accountable objects.

According to Cooper and Robson (2006), practitioners tend to regard themselves, their identity, being interrelate with regulatory processes and impacts how rules are operationalised. In this respect, institutional alignment impacts the professionalisation. The study conducted by Anderson-Gough et al. (2002) concluded that practices and both norms and beliefs of accounting professionals are a medium and outcome of their institutional configuration. Correlating professional identity with the professional judgment it can be said that the last has multiple faces (technical, ethical, even moral-religious) that are at the same time the prerequisites of its deployment. These are influenced by environmental factors that lead to a certain degree of application of the accounting technical and ethical principles and judgments.

The external influences are explained by the social dimension of accounting practice. Lowe (2004) sees accounting practitioners as a distinctive knowledge culture, taking into consideration the effect of their rules and values on the society. On the subject of profession and knowledge, Dunne (1999) ascertains that the first requirement of practice and profession is knowledge which he associates with rationality in the context of modern society. He differentiates rationality, as a feature of knowledge, into technical rationality, and practical judgment. Technical rationality is relative to standards or rules of which existence (including in the business area) implies a decreased dependency on independent judgment of a practitioner. Although he admits the importance of technical rationality, Dunne (1999) gives importance as well to the knowledge applied in practice that he calls judgment. The judgment starts from rules, in which the knowledge and the skills are encapsulated in relation to prior events but it deviates from them by adapting the individual knowledge of a professional to a particular case. The thesis is supported by Owhoso and Weickgenannt (2007) that suggest a professional arbitrates between compliance with standards and autonomous judgment. Doing this, the professional relies on education as well as on experience, constantly re-built depending on the professional character, defined in Dunne’s (1999) view by perceptiveness, flexibility, and personal qualities.
The judgment is seen as a core characteristic of accounting activity by Harding and Ming-Chuan (2007). Analysing the auditors’ competence that influences the audit quality, it is inferred that this has a technical and moral dimension (Pflugrath et al., 2007). These authors consider two dimensions of technical competence that might influence the quality of judgment, namely experience and knowledge. The moral component of accounting behaviour is in many cases associated with ethics. It was proven that, generally, higher moral areas determine higher ethical standards. Jackling et al. (2007) expand the accounting reasoning-ethical behaviour association to accountants inferring that these, together with auditors, are moral agents of the firms and society.

The accounting practice is influenced by the accountant’s character as well as by the national values that impact this practice (Askary, 2006). Thus, the professional accountants’ identity that impact their lifeworld is defined on the one hand by the knowledge and values accumulated by the accounting profession, in other words a common (collective) accounting ‘ethos’ and ‘logos’ in terms of ethical and professional norms shared within the accounting community. On the other hand, the beliefs and personal values of professional accountants are considered, both those derived from the accounting culture and relationships with the members of the accounting community and users of accounting services, and those shaped by their professional identity. We focus in our research on the second dimension of the professional identity.

3 The research framework

3.1 Societal change theories

Our framework is grounded on Laughlin and Broadbent (hereafter, B&L) which adapted to accounting the societal change theories (Laughlin, 1991, 1987; Broadbent et al., 1991; Broadbent and Laughlin, 1997, 2005, 2013). In their turn, these schemes are based on Habermas (1975, 1987) social theory. We argue the use of such theories considering that accounting acquired a more significant social dimension, founded both on its own evolution and on the societal transformations. Moreover, this approach takes into consideration the importance of the societal and historical context of the analysed systems (Laughlin, 1987; Broadbent and Laughlin, 1997) in our case, the particularities of a post-communist emergent country.

In Habermas’ (1975, 1987) vision, society is suggested by the concepts of ‘lifeworld’ and ‘system’, the former being the propelling force of the system. The system reflects the intangible differentiated form of the content and the aspirations of the lifeworld. The systemic mechanisms need to be anchored in the lifeworld, to be institutionalised by means of a ‘steering’ gear. Interpreting Habermas’ theory and acknowledging an institutional and organisational development in the design of the steering media and systems, B&L delimit into Habermas’ descriptions three components at societal level, namely the

a. lifeworld
b. steering media
c. systems and supplement it with their own understanding.
The lifeworld (a), also called interpretive schemes (Laughlin, 1991), is a stock of interpretive patterns that are transmitted culturally and are organised linguistically (Habermas, 1987). Habermas shows how the members of a society have natural (culture), social (society) and subjective (personality) worlds. Therefore, the lifeworld is defined by features such as valid knowledge, social relationships, and personal identity. Referring to Bartunek’s (1984) work, Broadbent and Laughlin (2005) define lifeworld as a set of values and beliefs.

The connection between lifeworld and systems within societal evolution is mediated through steering media (b). The media-steered subsystems in Habermas’ (1975, 1987) view regulate the system to be in line with the lifeworld and are represented by money and power. Laughlin (1991) defines steering media as design archetypes. Looking for patterns of the latter concepts, Broadbent and Laughlin (2005) quote Hinings and Greenwood’s (1988) definition stating that the nature of design archetypes is ‘compositions of structures and (management) systems given coherence and orientation by an underlying set of values and beliefs’. Habermas considers the institutional mechanisms, namely the government, to be the representative of the steering media and views the public law as an instrument in the hand of the government, i.e. the key steering medium. Laughlin (1987) and Broadbent et al. (1991) see the steering media as societal institutions that found their legitimacy on money or power. The state exercises power and steers the societal institutions and organisations (Broadbent and Laughlin, 2003). Enlarging the steering media categories, Broadbent et al. (1991) add professional and financial institutions to the government.

Broadbent et al. (1991) consider the accounting systems to be a piece of these communication mechanisms, a steering medium, employed by various steering media, as it operationalises the financial relationship between the steering media and organisational systems. Moreover, B&L clarify the differences between steering media and steering medium (mechanisms) of Habermas syntagma, money and power.

The third societal component occurs at organisational level and Habermas designates it by the abstract notion of systems (1975). B&L use the terms of societal organisations or systems (Laughlin, 1987; Broadbent et al., 1991), organisational systems or organisations (Broadbent and Laughlin, 2005, 2013). Broadbent et al. (1991) characterise organisational systems/organisations (c) as functionally definable, tangible organisations held together by the steering media and grounded in the prevailing lifeworld.

Starting from Habermas’ arguments that social evolution lead to differences between and within the lifeworld and system, B&L demonstrate that the three dynamic structures cannot be found only at societal level, but also at institutional and organisational levels. Therefore not only society, but also steering media and organisations have their own lifeworld, steering media and systems.

With the purpose to interrelate these three components of the societal system (a, b, c), Habermas also suggests the possible orientations of the changes that can occur within these components, in order to observe the effects on the other components. Thus, changes in steering media and systems should be grounded in the transformation of a society’s lifeworld (Habermas, 1987). This is the normal direction of the influences among components. A potential incongruity between lifeworld values and steering media may have an impact on organisations’ behaviour, via the steering media, that no longer acts in line with the lifeworld demands. If this state of affairs perpetuates, the orientation of the influence between the three components is reversed. This means that institutional mechanisms impose their own values on society. Habermas defines this phenomenon as
the internal colonisation of the lifeworld. Hence, he distinguishes between regulative and constitutive steering media.

According to Laughlin (1991), who developed the possible disturbances between the components of an organisation, the changes driven by the steering media can be classified as morphostatic (first order) and morphogenetic (second order) pathways. Broadbent and Laughlin (2005) extend the idea that disturbances can be triggered not only from the outside of organisational systems, by steering mechanisms, but also by internal elements of the organisations, for example key stakeholders. These types of changes are viewed by B&L from the perspective of the organisation which strives to resist to those changes, managing to fend them away, or ending up accepting them. Broadbent and Laughlin (2005) argue that in order to distinguish between first and second order changes, the nature of the organisational resistance needs to be considered and demonstrated empirically.

By nature, the first order or morphostatic disturbances do not lead to long term and long-lasting changes of the lifeworld and can be sub-classified as rebuttal and reorientation. According to Broadbent and Laughlin (2013), a rebuttal pathway does not change the initial balance between the three structures, while the different influences are annihilated. The reorientation pathway does not change the old balance between components either, yet involves the successful resistance of the organisation to any imposition and leads to the improvement of its old sub-systems and emergence of new ones (Broadbent and Laughlin, 2013). Reorientation reveals the clear intention of those who control the steering media to find systems and structures to absorb disturbances, so as not to generate second order changes in the lifeworld.

Second order or morphogenetic changes generate significant changes of the lifeworld. In its turn, this type of change can be sub-classified as evolution and colonisation. Evolution pathway – which is considered by B&L the normal process - will eventually outweigh the three components and means that the steering media changes trigger the lifeworld’s change (Broadbent and Laughlin, 2013). The objectives of disturbances are in line with the lifeworld of organisation and are used to facilitate some changes therein. It results that the organisational process, informed by the new lifeworld, develops new steering media (design archetypes) and thereafter new sub-systems in a way that is understandable to all stakeholders (Broadbent and Laughlin, 2013). Colonisation pathway will lead to a new balance between the systemic components and entails the change of all these structures, by means of the steering media actions which at the same time affect the old lifeworld and the old sub-systems (Broadbent and Laughlin, 2013). Colonisation may occur at societal level, as well as at institutional and organisational level in B&L opinion.

Connecting the last two pathways above with Habermas’ thinking, Broadbent et al. (1991) explain that regulative mechanisms (evolution pathway) are grounded in the lifeworld and have the role of regulators of some pre-existing ongoing activities, prompting organisations to act according to prevailing values and norms. Regulative mechanisms are subject to criticism and modifications and are associated with a less contentious change, based on a discourse between stakeholders (Broadbent and Laughlin, 2005). However, these mechanisms may become constitutive when they no longer correspond to the existing societal values, and they mark the change of these values through control over organisations’ behaviour (colonisation pathway). Constitutive mechanisms are coercive and closed to debate.
3.2 The study framework

The framework we propose for the analysis of state’s influence on accounting (i.e., professional accountants’ lifeworld) stems in B&L’s scheme, which we adapted to our research purpose.

From the levels reviewed by B&L, namely society, steering media and organisational systems, we focused on the third one. For B&L, organisational systems represent any organisation created to address the societal lifeworld requirements (Broadbent and Laughlin, 2005), or a range of public, private and voluntary organisations (Broadbent and Laughlin, 2013). Particularly, our study refers to organisations’ financial reporting, specifically to professional accountants’ behaviour, which in its turn can be designated as accounting practice.

Our research tackles the relationship between organisations and the steering media, but also between organisations and society as a whole, i.e., the relationship of professional accountants with organisation’ stakeholders. The starting point in the analysis of pathway change, as suggested by B&L, is the steering media (design archetypes). Accounting controls as the steering medium of steering media (exercised by the design archetypes of steering media) attempt to influence the steering media of organisations (exercised by their own design archetypes). As such, between inter-organisational and respectively intra-organisational steering mechanisms as categories described by B&L, our analysis is focused rather on the inter-organisational type.

Our study supports B&L’s opinion that several steering media may coexist, according to several poles of interest on the financial reporting market. Thus, even the state has a special quality that makes it a ‘stakeholder’ with unique and significant societal power and position for the Romanian setting, it might no longer be the only steering media. Other societal mechanisms, such as the professional or financial institutions, might emerge on this specific market.

Our hypothesis regarding the type of changes likely to occur in the Romanian context is second order (morphogenetic), related to long lasting disturbances (evolution or colonisation) in B&L understanding, which concurs with Habermas’ change typology of regulative and constitutive changes. Apparently the state, if not the other institutions, significantly influenced the organisational systems in the timeframe under study.

The differences in comparison to B&L’s scheme are further highlighted.

1 The focus of our analysis does not lie on organisational communication, but on the relationship between societal structures, as long as we are not studying a defined organisation but a group of individuals, i.e., professional accountants.

2 Although B&L’s scheme suggest a double analysis in order to understand the change at organisational level and the resistance of organisations to disturbances, one for developing accounting controls (the external/internal pressures via accounting) and one for the controlling accounting (tactics and protocols to control the effects of imposed accounting on organisations’ activities), our research deals with the first. Also, our research focuses on the external side of pressures. Besides, external disturbances are dominating in any environment (Broadbent and Laughlin, 2005). We assume a balanced position among the three structures of the organisational systems at a certain point (without internal movements) – i.e., interpretive schemes, design archetypes and sub-systems. This is explained by the weak resistance of
professional accountants to the steering media actions. We talk about a group of professionals not protected or less protected by the professional association (for almost the entire timeframe investigated) and overlap with the frequent changes in the nature and spirit of the accounting regulations imposed by the state, which has power and authority derived from the distribution of resources.

3 As opposed to B&L’s scheme, which analyses the debut of a change and its effects, our research focus on two temporal points (early post-communist period and present) and on the process of influencing/dominating already present (from the state, so as it was passed from the communist period) in order to observe the type of changes, and if the nature of changes modifies in time, between the two points of analysis.

4 Unlike B&L, who assert the imposition of change by a group of experts equipped with considerable skills, abilities and power to impose such change on the entire organisation, we view the state in this role (possibly the group of experts required for the issuance of accounting and tax regulations), which have at least the power to do this if not the competencies. Also, we view professional and financial institutions as auxiliary, diminishing forces of the state’s pressure and not a proactive force, even we do not deny the existence in those two groups of visionary individuals therein, with special skills and abilities.

5 Other nuance is in the characterisation of the evolution-type change which we associate a clear positive side as compared to colonisation pathway. Broadbent and Laughlin (2013, p.89) describe that evolution as a normal process. We highlight for the evolution type changes elements embedded in steering media which correspond with the lifeworld’s core features and which imprint to lifeworld changes which come to significantly improve the previous setting.

6 Finally, a clarification is needed concerning the terminology use herein. For the institutional and organisational levels B&L recommend the notions of interpretive schemes, design archetypes and sub-systems instead of Habermas’ notions of lifeworld, media-steered subsystems (steering media) and other systemic mechanisms/systems, so as not to generate confusion, and preserve Habermas’ terms only for the societal level (Broadbent and Laughlin, 2013). Our research focuses on one side of the complex societal systems, namely a single group at organisational level, the accounting professionals. Therefore, even if we follow B&L’s scheme, the above reason and also the simplicity of terminology determined us to resort to the original notions of lifeworld and steering media, adding then B&L’s notion of organisational systems.

Figure 1 illustrates the framework proposed in order to analyse the state-accounting relationship in the Romanian context, which is further explain.

Professional accountants’ lifeworld we refer in the framework designate only the individuals feelings and attitudes manifested in their practice, not the features of the profession as institution. The accounting practice is analysed in comparison with the accounting regulations, taking the form of the professional accountants’ behaviour as preparers of accounts of organisations and the effects of this behaviour not only on financial reporting users but also on their own lifeworld.

We view the state as the dominant societal institution, the prime steering media due to two reasons: the power of the state is still significant in former communist countries
and respectively the state is the regulator/standard setter. In Romania, the state was and still is the regulator in accounting. It was the standard setter as well as regulator in the communist period. It continued to be the regulator in the post-communist stage and standard setter for unlisted companies until 2013, for listed companies’ consolidated financial statements until 2007 and for listed companies’ individual financial statements until 2012. The loss of the status of standard setter occurred as a result of the IFRS adoption for the listed companies. The professional institution, which represents the institutionalisation of the accounting profession, can have an important impact on organisations’ financial reporting through increasing their representativeness at national and international level. Financial institutions can imprint a similar impact due to organisations’ increasing use of financing from the banking system and the capital market. The steering media thus identified are involved in the accounting processes, more precisely in the accounting control. B&L present it as a control exerted by means of accounting, by regulating accounting or developing specific controls.

**Figure 1** Framework related to the evolution of professional accountants’ lifeworld (see online version for colours)

Accounting regulations allow steering media to implement their policy over the organisational systems and represent their steering medium. Within the Romanian context, accounting regulations could be influenced in their dynamics by internal public pressures as a result of the state’s need for funds and thus its intent to control these funds through a strong tax-accounting link. Moreover, accounting regulations could be influenced, to a certain extent, by external pressures in the form of the implementation of the European/ international accounting regulations and standards, process accepted and managed by the state. Therefore, the tax-accounting link and the intensity of the external pressures are the drivers of the state policies in accounting. In what concerns other
steering media that the state, firstly, professional institutions could generate changes on professional accountants’ behaviour, or even on their lifeworld by the own dynamics as accounting profession and hence in an increasing involvement in accounting normalisation. Professional association can also get involved in other accounting processes, such as accounting practice training or supervision. On the other hand, the evolution of the banking system and of the capital market could have an influence over accounting regulations, in the form of redefined objectives for accounting, through new commercial, legal and financial concepts stipulated in the technical content of regulations, through the structure and content of financial statements. The dynamics of the financial institutions that represent the capital market and banking system would impact accounting processes by increasing the complexity of transactions typology and would entail superior professional judgment and greater attention and objectivity on the part of the accountants who must provide financial reporting that meets the needs of those stakeholders, namely the investors and the creditors.

Our research focuses on organisations’ financial reporting as representative for organisational systems. The professional behaviour of accountants indicates the influence of the state since it mirrors the reaction of accounting experts to accounting regulations applied in practice. All these can affect professional accountants’ lifeworld by changing it, or on the contrary, accounting lifeworld in accordance with steering media could maintain accountants’ behaviour unchanged. The focus is placed on the extent to which professionals apply accounting regulations in practice and use professional judgment correlated with technical and ethical prerequisites of its deployment. We analyse a particular context in what concerns the type of regulations, the frequency of their change, the objectives of regulations and their financial information users.

4 Romanian accounting regulations and institutional factors

4.1 Accounting regulations evolution

This section analyses Romanian accounting regulations in their evolution as listed in Appendix 1. As for the external accounting influences, the shift from an accounting system to another and the adoption of IFRSs are conclusive elements of the 20 years surveyed in our study. Accounting regulations consist of both national regulations and IFRS per se imposed under the orders of the MPF. Our research distinguishes between two stages, 1991–2000, respectively 2001–2014 (even the practical application of our research based on interview is conducted for the year 2010), separated by the moment of adopting the IFRSs, as a landmark that imprinted a new direction in the evolution of accounting and which apparently contributed to the disconnection between accounting and taxation. This periodisation we propose derives from the tax-accounting link stages of evolution suggested by the Section 2.1 analysis.

Considering the evolution of accounting regulations, the policy of the state as accounting regulator during the whole period under analysis, was discontinuous and unsteady and strongly influenced by external economic and political factors, as argued in the study of Deaconu (2012). External influences can be explained by the dependence on financing resources necessary for the economic regeneration, and by the need of removal from the Soviet regime, as the objectives in the beginning of the post-communist period were to join the North Atlantic Treaty Organization (NATO) and the European Union
In order to fulfil these objectives, external financial assistance was sought from the World Bank and the European Community, which in turn required accountability of such resources. Under these circumstances, after adopting the CE accounting system - the French model, Romania initially received accounting assistance from French specialists. After the first decade of post-communism, the internationalisation of the markets and hence the external development of Romanian companies, along with pressure from the World Bank and the International Monetary Fund, led to public options regarding IFRSs adoption (Deaconu, 2012). This time around, accounting assistance was provided by Great Britain. It was the beginning of Anglo-Saxon (AS) influence on the Romanian accounting environment. In the case of economic organisations (companies), differentiated according to their size for the purpose of individual and consolidated accounts, the two regulations issued in 2001 and 2002 and valid until 2005, hereinafter referred to as national regulations, either required the use of IFRSs (1700 non-financial companies were involved), or borrowed elements from IFRS and combined them with elements from the European Directives. Subsequently, Romania’s status as candidate and then full member of the EU represented the process of alignment with the European accounting policy, between 2005 and 2007. The normative act issued in this respect in 2005 was applicable to all companies, this time regardless of their size, both for their individual and consolidated accounts, and reduced the IFRS scope of application. Subsequently, under the normative acts issued in 2009 and 2013, the national regulations return to IFRS, as they took on more and more treatments prescribed by the international standards. Financial organisations had a similar evolution in terms of regulatory documents until 2005. Along with the implementation of these national accounting regulations by all organisations, the implementation of the IFRSs per se is assured for the consolidated accounts of listed companies and financial organisations (between 2006 and 2013) and for the individual accounts (as of 2013). The obligation to apply the IFRS and national regulations at the same time was eliminated for these organisations. In conclusion, the IFRS implementation in Romania between 2001 and 2014 is demonstrated not only by their adoption per se, but also by the fact that the national regulations issued by MPF as standard setter and imposed by the same institution as regulator, contained, after 2000, IFRS features.

### 4.2 Institutional factors evolution

In the stage 1991–2000, CECCAR, established in the inter-war period and dissolved during the Communist period, is re-established in 1992. The beginning of the accounting profession reorganisation takes place in 1990–1994 and is correlated with the efforts to reform the accounting system. As of 1994, the liberal accounting profession is considered to be completely reformed and is legally acknowledged under the form of autonomous association of public utility under the Government Decision no 65/1994 and Law no. 42/1995 (CECCAR, 2006). Although important for the evolution of the accounting profession, the regulation published in 1994 did not materialise in an association comparable to the fundamental criteria of other liberal professions.

Referring to the second stage, 2001–2010, the accounting body has a more poignant position on the market, which constantly increases. It is recognised and accepted as member of international bodies. On the one hand, this owes to its extensive development as nationwide branches (42 branches) and number of members. The actions that represented the basis of this evolution were related to the diversification of courses for
access to the profession and lifelong learning, the creation of professional solidarity as a result of the conferences organised and work seminars. CECCAR was involved in the IFRS knowledge base spreading through the professional training programs initiated in close collaboration with the academic environment (during 2001–2010), through publication of guidelines on the implementation and translation of standards and through creating a working group on IFRS (Ristea and Jianu, 2010). On the other hand, CECCAR’s influence over the financial reporting market owes to its inclusion in the consultative committee of MPF on accounting issues. Within this committee its role became more and more important in the last part of the 2001–2010 stage, as suggested by Albu et al. (2014).

The banking system, as the first representative of financial institutions evolution, had a specific evolution in the 1991–2000 stage. The restructuring of the banking sector after the communist period started with the incorporation of the Romanian Commercial Bank which took on retail operations previously conducted by the National Bank of Romania (NBR). From this point onwards the banking sector develops through the incorporation of domestic private banks and the penetration of the market by foreign bank branches. However, in this stage there are certain shortcomings concerning the quality of management in banks, the quality of shareholders and credit portfolio, along with a lower degree of competition and the lack of customer-oriented approaches. In time, in 1997, NBR starts to control the banking sector more strictly in order to ensure its stability by implementing international regulations. In this stage, the most important characteristics of the banking sector were concentration and segmentation. Three important regulations are issued in this stage, namely: Law no. 312/2004 on the role of NBR, Law no 83/1997 on banks’ privatisation and the Banking Law 58/1998. Between 1997 and 1999 the economic recession and structural failures in the private sector affected the quality of the banks’ loan portfolio.

In 2001–2010 stage, the evolution of the banking system is characterised by reorganisation and change in order to overcome the difficulties faced between 1997 and 1999; the loan activity was more intense both in terms of quality and quantity. The process was based on banking supervision through legal regulations and at organisational levels. The power of banks in 2000 is highlighted, as they own 90% of the total assets of the domestic financial system. The foreign capital becomes dominant on the market as important Romanian banks are sold to foreign investors. The domestic system comes in line with the European trends as a result of Romania’s accession to the EU in 2007. The harmonisation of banking regulations is materialised, although it began prior to this moment. The global financial crisis which manifested intensively in 2009 affected the banking sector and decreased its financial performance. After that the banking sector goes through a period of reconstruction.

Discussing now the second financial institutions, represented by the capital market, the analysis for the stage 1991–2000 reveals how the Romanian capital market has evolved and matured. All the institutions and subordinated instruments of a normally operating market have been created. Law no. 52/1994 on securities and stock exchanges is issued and institutions like stockbrokers, initial public offering markets or investors’ protection receive legal support in this way. After a break of 50 years, in 1995 the Bucharest Stock Exchange re-entered the Romanian capital market, according to the decision of the Romanian National Securities Commission. The establishment of RASDAQ electronic stock exchange in 1996 gives great amplitude to capital market development in Romania by offering the possibility to sell and purchase shares or other
system admitted securities. However, despite these regulations and specific institutions, the traded companies were not of the best quality in terms of supply, while in terms of demand foreign investors were hesitant to invest their resources in a country towards which their reluctance increased by poor corporate governance of the companies and the disappointing profit threshold of most of them.

In the second stage of our analysis, 2001–2010, the capital market develops and starts to be used as a financing resource for companies. This resource joins the traditional ones, obtained from financial creditors. Considering the market capital evolution, in the second stage a series of regulations were developed that aimed to support financial institutions, the market development itself, and financial instruments. The consolidation of the capital market becomes obvious due to the increasing confidence of Romanian and foreign investors in the domestic market and in the financial instruments traded. The period 2006–2010 shows the upward trend of the capital market in Romania until 2007, the year of Romania’s accession to the EU, and then, the start of the international financial crisis introduces a downward trend ended only in March 2009. Based on the experience gained and the EU requirements the capital market reached its maturity in 2002–2003, when a series of significant regulations were issued, for example: Law no. 512/2002 on the regulated markets of commodities and derivatives or Law no. 513/2002 on mutual funds. The alignment to the requirements of the EU Directives was assured mainly by the Capital market Law no. 297/2004 which includes direct references to the use of financial instruments. The new capital market law aims to align the Romanian capital market with the European standards and governs the market even today.

5 The interview

5.1 Instrument and participants

An interpretative qualitative methodology was considered appropriate for implementing the proposed framework, as it is consistent with the exploratory nature of the investigation and with the need for in-depth information (Kerlinger, 1973; Radcliffe, 2010). A similar methodology was chosen in earlier studies that applied Habermas’ theory and the ‘skeletal’ framework Broadbent and Laughlin suggested for different cases (Broadbent et al., 1991; Laughlin et al., 1994a, 1994b; Broadbent and Laughlin, 1998, 2003; Foster and Jonker, 2005; Hassan, 2008). The methodology used in our study implies a practical application which captures the point of view of professional accountants on the changes occurred in organisations’ financial reporting and in their accounting lifeworld.

The research method used to collect such information was the interview. Based on the non-probability sampling technique, the subjects were selected according to predetermined criteria. The geographical area investigated was Transylvania, the second best developed region in the national hierarchy. The subjects of the interview were senior accountants working in accounting companies, having alike the quality of ‘accounting experts’, members of CECCAR and of tax consultants, members of the Chamber of Tax Consultants. This double quality, of implementers of the accounting and fiscal rules, assures us that the professional accountants are aware of the way in which the state influenced accounting in the post-communist period in Romania.
One of the first selection criteria for the subjects was the ambit of their professional activity, suggested by their turnover as individual accountants or accounting companies and the number of employees of accounting companies. The data necessary for the selection process was collected from the database of the regional branch of the accounting profession association, CECCAR, and appended with public information disclosed by the MPF. Among the criteria mentioned, turnover was considered the primary criterion, while the employee number as arbitration criterion in case of significant closeness between turnover values. Based on these considerations, a total of 30 accounting companies (not individual accountants, with an activity proved to be less important in terms of turnover) were initially included out of a total of 321 companies with professional activity in the last financial year closed before the time of the interview, in 2009. The accounting companies were represented by a professional accountant. The initial sample of 30 companies-individuals was further reduced by applying another two selection criteria, namely the experience and the age of the professional accountant. These criteria were important, as one of the goals of the investigation was to analyse the influence of the IFRSs applied in Romania after 2001 (professional experience criterion), and as the intention was to observe all possible viewpoints on accountants’ lifeworld (age criterion). Thus, following phone discussions or meetings that led to further eliminations of certain subjects, the final sample consisted of 20 participants who responded to the interview. Following a second contact, the subjects’ agreement to participate in the interview was obtained, the objectives of the interview sessions were described to them, and the anonymity of their responses was guaranteed. One face-to-face meeting was held at the work place of each participant. The interviews lasted about 1 hour and were conducted over a total period of 2 months, i.e., October-November 2010. With the consent of the interviewees, all dialogues were recorded and transcribed for better documentation and later analysis.

The interview was conducted by means of a semi-structured self-constructed instrument sought to gain insight into professional accountants’ environment and to find possible influences of the state on accounting. With a purpose to explore and probe in depth the particular circumstances of accountants’ lifeworld, the instrument consists of four open questions (Appendix 2) designed so as they should give participants full opportunity to share facts which they considered relevant. The professional accountants were asked, considering their experience in the period 1991–2010, to assess the impact on themselves as individuals, on the accounting profession in general and on the attitude of organisations’ representatives towards accounting as effect of the tax-accounting link and international/regional regulations adopted.

The validity of the 20 companies-persons sample was preliminarily tested through the Kolmogorov-Smirnov test applied to its quantitative characteristics in relation with a normal distribution of variables. The Z values of Kolmogorov-Smirnov test are 0.019 for Turnover, 0.259 for employee number and 0.808 for Age. The values of the variables (Z > 0.05) are sufficiently high for an asymp. sig. (two-tailed) probability threshold for which normal distribution is a good fit.

The analysis of the sample characteristics in Appendix 3 reveals the size of the accounting companies represented by the professional accountants as an annual average turnover of about EUR 130,000 and an average number of employees of approximately 8. The other two characteristics of professional accountants which complete the selection criteria indicate an average professional experience of the subjects of 17 years (with a minimum of 10), and the average age of 46 years old. Most of the
companies-clients represented are small and medium size enterprises and a percentage of 30% of these companies have majority foreign ownership. Thus, they express opinions of the group of professional accountants that serve the needs of SMEs, and also they are aware on the financial reporting needs of large/listed or international companies. Also, these observations indicate that the professional accountants are acquainted with a multitude of economic transactions, accounting and fiscal cases.

5.2 Interview results

When questioned about the possibility of tax-accounting link influencing their professional or cultural development, all subjects of the interview answered affirmatively, and underlined the need to be permanently in contact with the evolution of fiscal rules in order to be able to practice accounting. Tax-accounting link is imposed to accounting for tax purposes and not to fulfil financial reporting objectives associated to the application of accounting principles or rules and of professional reasoning. In the responses to interview it was stated that the accounting profession had become primordially ‘fiscal’.

As a result of the tax-accounting link, professional accountants were forced to be permanently connected to the changes in tax regulations which had to be given priority, thus sometimes stepping away from the accounting rules. One respondent stated that “an adaptation of the accounting technique was necessary in the context of the existing diverse taxation”. In the opinion of another respondent “having the accounting rules established by the same body, namely the Ministry of Finance, which also establishes the tax rules, is a disservice”.

As to the tax-accounting influence means of the professional accountants development, some of the respondents mentioned the attitude of managers who ask the professionals to seek the tax advantages of the organisations’ transactions, an attitude that could have affect the accuracy of the accounting treatments.

Other respondents accused the pressure exerted by the tax administration on the taxpayers represented by the accounting professional. In this case, the accounting professional needed to perform a previous tax analysis of the transactions in order to avoid any risk of different interpretation than that of the tax body.

These remarks are linked by the respondents to the entire period under analysis. Few respondents perceived a light improvement of the tax burden in the second stage of our inquiry. It is shown that:

“The professional development has been permanently influenced, with a more significant effect until 2001, when the IFRSs were implemented for large companies, and since then this influence gradually decreased because of more stable and more coherent accounting rules.”

Shareholders’ importance progressively increases in professional accountants’ guidelines, sustained the same respondents as above, and the change of interest from the state can be therefore explained by the growing influence of IFRS on Romanian financial reporting.

Even the IFRS adoption is welcomed by a limited number of the respondents – by which one claimed that “accounting was too regulated and too little opened to imagination and freedom of thinking [before IFRS adoption]”, other professional accountants seem not to be entirely prepared for an accounting system significantly based on principles, as it is the case for the IFRS. The inflexibility imposed by the compliance
with the tax rules, accompanied by the need to also comply with the accounting rules, was not favourable to professional reasoning development and to the complete adaptation of accounting expertise to principle-based media. In this idea, one of the subjects asserted that “many professional accountants would be limited in their actions unless accounting was regulated”.

Asked whether the tax-accounting link affected their personal development at knowledge level, the subjects gave answers that revealed a focus on fiscal knowledge, subsidiary accounting knowledge, while economic knowledge in general was not mentioned.

The significant number of normative acts and of changes hindered professional accountants in tax rules application. In the opinion of the subjects to the interview, the permanent tax changes led to the “enslavement of the accounting profession and to limitation in the accumulation of accounting knowledge”.

The focus on tax is also revealed in the professional training courses offered by CECCAR, whose approach was mainly of fiscal rather than accounting nature. However, some respondents consider this approach to be normal in a context of permanent fiscal changes. Moreover, CECCAR actions are welcomed for the second stage of our inquiry and the increased role of the accounting profession is emphasised by a respondent:

“CECCAR had a beneficial influence on professional accountants’ solidarity, relationship which intensifies through continuous communication between accounting professionals both directly and through regular meetings within CECCAR, and this in a context seeking for the most viable solutions meant to mitigate the tax burden.”

In the absence of a distinct tax consultant profession, which emerged only after 2001, professional accountants ended up accepting their double role as accountants and tax consultants. Therefore, they welcomed fiscal training in order to become familiar with the application of tax regulations and often to develop creative accounting techniques meant to please the corporate management. Some respondents no longer make the distinction between accounting training and tax training, arguing that the professional accountant was deemed to a ‘long life learning’ approach, which should not be necessarily considered a limitation of the accounting knowledge.

When asked to define their professional or other nature identity, professional accountants underlined the “general degradation of the accounting professional” as his/her identity is taken for “the identity of a fiscal consultant, whose accounting activity is not the main part in his/her business”. One of the respondents states that accounting reasoning was much influenced, which generated a blockage in professional development.

The professional and social development of accountants was limited as they had to focus on keeping abreast of the tax regulations and less on improving their understanding of the new accounting concepts, accounting treatments and their ability to interpret the accounting numbers.

Accountants were considered by companies a ‘necessary evil’, both for current accounting services and for tax consultancy. For many professionals the shaping of their personal identity was marked by the departure from accounting regulations and even from ethical standards of the profession. One of the respondents claimed:

“I found myself very limited in my personal development, with taxation giving me no right to an appropriate accounting development.”
Moreover, professional accountants had to suffer in terms of recognition of their professional value. They no longer considered their profession as something to be proud of, as long as the employment of an accountant depended, many times, on the ability to avoid tax-related conflicts and to minimise taxation influence rather than on professional competencies.

“The self-respect of accountants, professionally speaking, was affected by managers’ pressure to act in a tax-related interest rather than according to the accounting principles.”

Ironically, although they embraced a cause which was not theirs, namely the tax-related one, professional accountants generated reactions of rejection including in the relation with the tax administration, whose attitude, as stated by one of the respondents, was “rather detractive than constructive as to the supply of certain information in support of taxpayers and of their representatives – the accountants”.

When asked about the possible impact of taxation on financial reporting users’ behaviour towards the accounting professionals, many voices stated that most of the external users were currently extremely reserved about the quality of the information provided in the financial statements of the companies, because of the major influence of the fiscal element on judging the economic element of a transaction. The organisations’ accounting policies were strongly influenced by taxation. One of the respondents asserted:

“No faithful image of the transactions can be rendered when the tax regime applied to the accounting cases is the only element triggering the accounting principles applied. For instance, no provisions or adjustments were made because they are not fiscally deductible.”

In the opinion of certain respondents, the main users influenced by the tax-accounting link are the shareholders, as they seek for a decrease in the tax burden in parallel with a higher profit. Another important category revealed is represented by the financial creditors, as they claim from organisations the guarantee of a profit calculus founded on real basis, so that companies’ liquidity should not be affected in case of loan demands. Communication difficulties and the cause of this were identified by a respondent in the relationship with the beneficiaries of accounting services:

“The exaggerated taxation and bureaucracy in certain cases hinders our clients from forming a reliable opinion so that they could make the best decision.”

The effort of adapting to the fiscal pressure was amplified by companies’ managers, as we previously illustrated, to whom the dialogue intensified due to the significant number of tax cases.

6 Discussion on the accounting regulation evolution and its effects on professional accountants lifeworld

This section comments on the evolution of organisations’ financial reporting, of the steering media and of their steering medium (accounting regulations), as components of the framework we propose, and in accordance with the research objective, to depict the Romanian professional accountants lifeworld during the two stage of the post-communist period and according to accounting regulations (and tax-accounting link) dynamics.
6.1 The first stage of the post-communist period, 1991–2000

As Section 4 attest, this stage was marked by significant changes in Romanian accounting, due to the shift from a Soviet-type accounting system, specific to a centralised economy, to an accounting system coherent with a market economy (the CE accounting system). From the three actors that are supposed to provide/use relevant and reliable information for organisations (the state, the accountants and the management) it seems that professional accountants suffered the most in terms of their practice, as they were expected to apply the new accounting regulations guided by the state and connected to taxation. The state imposed changes due to the control exerted on the behaviour of the professional accountants as preparers of accounts for organisations’ financial reporting.

The state dominated the accounting normalisation process without considering other interferences, thus representing the unique steering media of that time. During this stage, the accounting profession was not sufficiently revived after the communist period and does not have the power to impose itself against a regime which is still experiencing the consequences of a centralised leadership. Since it did not have any influence over accounting regulations, the accounting profession is not considered the steering media for this stage. Financial institutions are another potential steering medium, but their influence manifests only towards the end of this first stage. They start to play a more significant role in the financial information users’ hierarchy as they begin to acknowledge and use their right to information. The banks were the main providers of funding for organisations, beside government subsidies, in the context of an extremely slow progress of the capital market. However, financial institutions cannot be considered as steering media for the period 1991–2000.

The changes triggered by the state were spread through accounting regulations as steering medium at the same time for organisations’ financial reporting and for professional accountants’ lifeworld. The state’s double quality as regulator/standard setter and financial reporting user while also issuer of fiscal regulations, had an impact over the way in which accounting regulations were established, considering their objectives and users implied, principles, concepts, structure and content of financial statements. The design of the regulations was chiefly influenced, as Section 4 and the results of the interview in Section 5 argue, by the public need for funds and the further control (just like in the communist period) of the transactions disclosed in the financial statements, an influence that materialised as a powerful tax-accounting link. The accounting technique was tailored to the need of fiscal control and to the existent fiscal diversity. Secondly, the design of accounting regulations by the public authority was influenced by the CE accounting system, inspired from the French regulations. The only similarity between the new CE accounting system and the previous soviet system is that both were based on precise and detailed rules and guided by a chart of accounts. Although with some difficulty, this new accounting system was progressively assimilated and applied de facto merely a decade later.

The repercussions of these facts on professional accountants’ lifeworld are revealed by the specific responses to the interview. Globally, subjects’ answers indicate that the accounting practice was dominated by public regulations and the state’s political objectives. The professional knowledge was influenced by state’s intervention as professional accountants were distracted in applying their professional judgment by the permanent obligation to pay attention to the fiscal rules, which were frequently changed. Professional accountants had to focus on acknowledging the fiscal rules and less on
improving their understanding of the new accounting concepts, new accounting treatments, and their ability to interpret the accounting numbers. The habit to work according to precise accounting and fiscal rules indicates a more reduced ability to face ambiguity, to identify inferred relationships, to use intuition, and to work with uncertainty. This is in line with Albu et al. (2014) which assert that financial reporting users they interviewed agreed on the fact that accountants consider following the rules important, but the users consider professional reasoning more important, and this affects the relevance of financial statements.

Finally, the self-respect (mainly professional) was also affected by managers’ pressure to act in a fiscal interest rather than in the accounting interest.

According to our framework, for this first stage of analysis, it seems that there occurred some morphogenetic (second order) changes caused by the state politics. As in B&L’s scheme, accounting controls as steering medium of the state which is the prime steering media (emanates by the state design archetypes – MPF and institutional structures), influenced unequivocally organisations’ financial reporting (in their owns steering media or design archetypes – accounting practice and professional accountants’ behaviour). The state’s power was transferred upon the experts appointed within the fiscal apparatus, respectively those who organised the training for the implementation of the new accounting system under the MPF tutelage. The actions of the state, which had power due to its position within the societal hierarchy and controlled organisations’ resources (many companies were mostly state owned in this first stage), came in conflict with professional accountants’ lifeworld, these disturbances being of colonisation. The demarcation between first and second order changes was also made with respect to the nature of professional accountants’ resistance, as suggested by B&L. Specifically, changes were accepted without significant resistance from the interviewed subjects and adjusting to those demands was costly in terms of professional training and preservation of the professional identity. Professional accountants did not fight to transform the change into something acceptable for their old lifeworld – in the absence of a strong institutionalised profession to support them – instead they accepted it by undertaking new tasks (fiscal) and by not abandoning their profession. Those changes modified the equilibrium between the three societal components of our framework – the result was something completely different from the previous period of 1991 in the case of accounting regulation and, the tax-accounting link manifested differently, namely it intensified as a result of the need of resources for the government – only to rebalance later on through the assimilation of the new accounting regulations by the professional accountants, and through acceptance of the existence and effects of the tax-accounting link respectively. Rebalancing was accomplished by modifying the accountants’ lifeworld without creating a new lifeworld that would be superior to the previous one, at least for the tax-accounting link side. Colonisation happened gradually during the ten years of the stage. The disturbance was imposed to the organisations’ financial reporting through external regulations (new accounting regulations and tax-accounting link) and through sub-sections of the organisation itself (managers’ demands concerning accounting to serve tax purposes). In our research, colonisation had negative effects, based on the pressure exerted over the professional accountants and the change of their lifeworld, regardless if those changes could have been beneficial for society, following the adoption of a new, more modern accounting system, adapted to realities of Western Europe with which Romania tended to integrate.
The findings of our first historical stage under analysis verified social theories’ assertions on lifeworld’s constitutive elements and revealed their changes. As such, the ‘culture’ relative to professional accountants changed in terms of stock of knowledge gained and shared with the guilt members in relation to the new accounting system as concepts, principles, structure and financial statements content, which had to be assimilated. These were completed by the series of normative acts of fiscal nature issued within this timeframe and which had to be mastered analytically. The ‘society’ underwent major transformations with the occurrence of new communication platforms inside its own social group, new elements of the ‘living law’ to ensure solidarity in order to overcome the challenges of the new economic background, with its implications for the profession, respectively with other groups, such as managers, customers, the tax administration, towards which a relationship of obedience and dependence has been perpetuated. In terms of ‘personality’, throughout this decade professional accountants acquired new professional skills, both in accounting and the fiscal area, although not all the members of the group managed to master it with the same proficiency and willingness.

As regards the colonisation type changes, B&L’s statements, which define this disturbance from a theoretical and empirical point of view, are confirmed. As such, the accounting control within organisations internalised in such manner so it triggered a forced change of the lifeworld. We refer to control in view of the new accounting regulations, interfering in their turn with the tax rules. The disturbances were nevertheless against the will and views of many professional accountants, as revealed by the responses during the interview.

Finally, our research brings arguments to B&L theory for considering the accounting regulations, as well as other accounting processes, in the burden of professional accountants (tax reporting connected to accounting, assistance over the tax bodies, management reports derived from financial statements, accounting and fiscal consulting) as the steering medium for state’s actions in its role of steering media.

6.2 The second stage of the post-communist period, 2001–2010

In regard of the accounting system type, as Section 4 present, in the period 2001–2005, an AS-type system was implemented in Romania as a combination of concepts and principles typical to IFRS. The years after 2006 are marked by accounting confusion, that can be correlated with the harmonisation and searches for accounting rules that would best protect users’ interests, even in atypical economic conditions as the economic crisis. In this second sub-stage a hybrid accounting system emerged from the combination of the CE and AS spirit, which was subsequently updated by IFRS-related requirements. Therefore, the accounting practice at the level of organisational systems, or in other words organisations’ financial reporting was dominated by the assimilation of a new accounting system, of AS type.

In the process of time, another steering media emerged and further meanings occurred in the relationship between the three societal components. By the end of this second stage, the state does not seem to be the primary steering media. The influence of professional and financial institutions takes shape. The state was involved as regulator/standard setter in the transition from a CE to an AS accounting system. Due to this significant twist taken by the accounting regulations, and also to other indirect causes, the intensity of the tax-accounting link diminished in the second part of the
current stage. The dependence between the AS accounting system (in terms of type) and the evolution of the tax-accounting link is supported in the literature. Nevertheless, the state’s influence does not seem as strong as in the first stage of our analysis. The state’s technical legitimacy as a standard setter is increasingly questioned. The present research produces evidence that the actions of CECCAR and financial institutions are some of the underlying causes of this evolution.

Thus, if in the beginning of this stage it was manifested a weak influence of CECCAR as a professional body and an insufficient development of the capital market, where banks alone provided financing and had a certain role in the salience of companies’ stakeholders, in the second part of the stage and under the influence of the IFRSs, the power of the professional and financial institutions, as steering media, increased. The impact of CECCAR is stronger as it is involved in a consultative body established within the MPF and its technical committees, the Accounting and Financial Reporting Council (AFRC) that intended to allow the involvement of third parties, different from the MPF representatives. A relative sophistication of the accounting profession emerged with the support of CECCAR, though the inductive and continuous improvement training sessions, as well as specialised publications, such that the professional accountants ended up adjusting to the new AS-type accounting system. However, the power of the professional body cannot outweigh the power of the state due to the legal framework.

The impact of financial institutions in the financial management of public companies that were sold to the private sector, losing thus the state funding, gradually increased until 2008–2009 when the effects of the financial crisis were notably felt in Romania. However, their implication in the accounting normalisation process was insignificant until supervisors from the Stock Exchange, insurance companies and banks joined AFRC. The influence of financial institutions also materialise in the changes of the accounting regulations towards an AS-type accounting system and IFRSs that favour the needs of financing providers.

As driver of the state’s need for funding and internal influential factor of accounting regulations as steering medium, the intensity of the tax-accounting link seems to decrease, especially in the second part of the 2001–2010 stage, as Section 4 and the responses to interview in Section 5 reveal. One of the causes for this state of affairs is the relative stability of fiscal regulations.

In what concerns professional accounting lifeworld, as the interview results suggest, the evolution of organisations’ financial reporting leads to the conclusion that professional accountants are dominated by taxation at least during the first part of this stage, with the effects described for the first stage.

Considering the new accounting regulations, by the end of the period 2001–2010, although there have been difficulties in accepting and applying the IFRSs, accountants became acquainted with the international standards, at least the professionals who provided services to large companies, companies listed on the capital market and international organisations. Thus, for the second sub-stage we identified a group of professional accountants that perceive a change of gear in accounting usefulness and its opening towards other financial information users, mainly shareholders. They accepted changes more easily, considered them more useful and consented voluntarily to their implementation, although they recalled the fiscal risk as the greatest difficulty in the transition to IFRSs, in line with the study of Săcărin et al. (2013) based on interviews with 142 CECCAR members conducted between 2012 and 2013. Bunea et al. (2012) also
argue that the approach of professionals changed, at least in the case of those with more than ten years’ experience, who reject more willingly the idea of detailed rules and accept the need for professional judgment. A greater focus is placed on accounting reasoning, which surpasses fiscal barriers. Professional accountants become specialised. A new professional association is created, namely the Chamber of Tax Consultants, whose unique objective was to settle tax related issues of companies. In conclusion, a behaviour specific to this type of professional accountants can be identified (thereinafter referred as group 1), and this is different from that of the other accountants that provide services for SMEs or organisations with no direct connection to IFRS (group 2). These other accountants have no interest in understanding the IFRSs and do not feel the need for change. In general, their behaviour is similar to that from the previous stage.

To conclude with regard to this second stage, morphogenetic (second order) changes seem to occur like in the previous stage. Those changes occurred under the concerted impact exerted on accounting regulations (connected to IFRSs) and processes by the three steering media identified in the accounting environment, the state, along with CECCAR, banks and capital market institutionalised structures. The first part of the stage is marked by colonisation type changes, following the descriptions in the previous stage. However, in the second part of the period, these accounting changes head towards evolution-type changes, although the requirements of this type of relationship are not yet fully met, at least not for all the categories of professional accountants. Below we present the type of changes for the two groups of professional accountants, even if empirically speaking the boundary between colonisation- and evolution-type changes cannot be easily demonstrated or placed in a particular point in time, as B&L argue.

In the case of group 1 of professional accountants we identified evolution-type changes of the (same) model of societal development. Thus, as in B&L’s scheme, the objectives of the disturbance are consistent with the lifeworld of group 1 and are used to facilitate some changes on this. The processes of organisations – for us, the actions of group 1 of the professional accountants -, informed by the new lifeworld, developed new steering media (design archetypes) and then new sub-systems (assimilation of AS accounting system and IFRS, desired by professionals) in a way understandable to all stakeholders of the financial reporting market (the actions of accountants are concordant to the requirements of financial reporting of several users, starting with the shareholders). The change was less contentious than in the case of group 2, where colonisation change can be observed, as it was justifiable, according to B&L. In our case justification comes from group 1 respondents’ acknowledgement of the utility of adopting IFRS for listed companies and those that are internationalising and on their influence on tax-accounting link relaxation. In the end, for this group, it was a beneficial evolution, involving the operationalisation of an accounting model compliant with the European Directives and the IFRSs. This sequence entailed the gradual familiarisation with the new euro-international concepts, so that the regulations that ensued, although new, were much closer to the group 1 professional accountants’ expectations, hence to their lifeworld. We could speak, if not necessarily about a discourse between stakeholders, as B&L detail in their studies, about the self-identification of a distinct group of professional accountants, whose services are sought after by multinational groups or listed companies, who attend training courses organised by BIG 4, who work with locally-implanted BIG 4’s or with individuals employed by these accounting companies. For this group, the events head towards the ideal balance between social changes components. Professional accountants,
aware of the new demands of the market, fought (by means of additional IFRS training) to turn these changes into something acceptable at the level of their lifeworld.

The described process does not apply to group 2 of professional accountants as well. For the early 2001–2010 stage, the appropriateness of IFRS enforcement in Romania and its appropriateness for all types of organisations were questioned. So, IFRS application imprinted a pressure on the group 2 of professional accountants as expertise to be acquired and as need to relocate their attention from the fiscal issues to financing ones. First and foremost, the *de facto* application of the IFRSs is not sufficiently stimulated by the state who should have created the conditions for Romanian professional accountants to interpret, judge, evaluate and recognise different accounting options, to use a new accounting language and to check whether the translation of the standards into national accounting terminology is correct and complete. This is in line with other studies findings. In his critical-comparative study on Romania and France, using professional publications from 2000–2006, Ionascu (2007) argue that international standards were implemented sooner as a legal obligation, as they were imported with the purpose of global alignment, without a doctrinaire research, a phenomenon entitled ‘accounting mimetism’. The propensity of professional accountants for detailed rules was also confirmed by Bunea (2006) for the majority from a sample of 100 Romanian accountants, CECCAR members, asserting the failure of IFRS introduction for the large companies in 2001–2004.

Secondly, the contribution of CECCAR does not yield beneficial and quantifiable effects within AFRC, as long as this committee is still regulated by the state, in order to support the preponderant part of the Romanian professional accountants. Also, the financial reporting users salience for the SMEs serviced by the professional accountants in group 2, which indicate that the privileged user is the manager-owner, does not interfere with the new requirements of financing providers in what regards the accounting process. This suggests the continuation of colonisation-type changes for this group of accountants.

7 Conclusions

With the aim to discover the state’s influence over accounting during Romania’s transition from a communist centralised economy to a market economy, this study investigated the potential to use Habermas’ and particularly Broadbent and Laughlin’s views on societal transformation and their effects in accounting. Specifically, we examined the dynamics of the state and other societal institutions that have the capacity to influence, through their impact on the development of accounting regulations and processes, organisations’ financial reporting (viewed as the accounting practice) and the professional accountants’ lifeworld in the period 1991–2010. This research proposes a framework suggesting the type of relationship between

1. professional accountants’ lifeworld
2. the state, professional and financial institutions as steering media
3. accounting practice inside the organisations as societal components for the Romanian context.
This framework was applied for two different time periods, 1991–2000 and 2001–2010, prior and post adoption of (or compliance with) the IFRSs.

In the early post-communist period, from 1991 to 2000, the state affected organisations’ financial reporting, suggested by the behaviour of professional accountants, generating environmental disturbances within professional accountants’ lifeworld. The burdensome requirements caused by the tax-accounting link and also the European accounting regulations imposed without adequate prior training undermined the professional accountants’ lifeworld to a certain extent, leading to its colonisation. In this first period, the state was the unique steering medium. Using accounting regulations as steering media, the state forces professional accountants to act not always in consideration of the needs of other accounting information users, with less favourable effects on their technical, ethical and social development. The preparers of accounts were limited in observing the other influential factors whose reflection in financial reporting would have increased the quality of accounting information and its relevance in the decision-making process. The state position strengthened by its double role as regulator/standard setter and accounting information user limited the accounting reasoning and the complexity of the accounting practice by giving priority to taxation requirements. Professional accountants were hindered from developing abilities to adjust to principles-based rather than rules-based media. As long as the accounting normalisation was the absolute prerogative of the public authority, the debate on the accounting regulations with the accounting profession, the organisations’ representatives and other stakeholders was almost non-existent.

Considering the second part of the period under analysis, 2001–2010, our research examines whether the dominance of the state over accounting is maintained. Although some morphogenetic-type changes are also identified in this period, the findings imply that the tax-accounting link starts to relax in comparison to the previous period. Thus, the relationship between societal components changes, approaching the normal orientation suggested by social theories (at least for the group of professional accountants that provide services to organisations with an interest in IFRS), of evolution type. The actions of the steering media get closer to professional accountants’ lifeworld, namely the set of values and beliefs accumulated by the accounting professionals after understanding and experimenting the CE accounting system, of the elements of the AS system and of the IFRSs, along with the ethical norms. This was possible because other societal mechanisms emerged on the financial reporting market, namely the accounting profession and the financial institutions. The former saw its representativeness increase at national and international level and consequently in accounting normalisation. The Romanian professional body, CECCAR, is represented within the national consultative commission and its interventions on legal texts concerning the organisation of the profession are more significant. The importance of financial institutions, and concretely shareholders as representatives of the capital market, as well as financial creditors as representatives of the banks, increased. Companies grew and the use of external financing became more frequent, their right to information being acknowledged both by the state as regulator and by the accounting professionals.

The adoption of IFRSs in the Romanian accounting systems is a contributor to the decrease of state’s influence, at least for the formal level. The convergence of the national rules with the IFRS is correlated with the increased importance of financing providers, a trend that seems to be maintained in perspective. Even if this research identified a favourable economic, legal and financial evolution and a more conspicuous presence of
the accounting profession and financial institutions in Romania at the end of the period under analysis, it remains further observe the future actions of the public authority as standard setter and regulator. These actions are related to the degree of IFRS implementation in the national regulations, or of their adoption per se for certain categories of organisations, the measures for complete enforcement of international and national standards.

Finally, this research validates B&L’s theory based in its turn on Habermas’ societal concepts and puts forward the dynamics, and particularly the effects, of the tax-accounting link for an emergent context, revealing the adoption of IFRSs as an influential factor. Moreover, the study singularises the institutional and organisational change structures, both theoretically and empirically, to typical relationships in a specific emergent context. From this perspective, the case of Romania is useful to be discussed, and may serve for comparative studies on this type of economies, especially from CEE countries.

The results of this research should be interpreted in light of a number of limitations, some of which leading to research perspectives. Firstly, the investigation was confined to a single country, thus narrowing the international relevance of its results. Secondly, further investigation is necessary in order to study thoroughly the issues of the present research: furthering the distinction between the accounting lifeworlds of the groups of professional accountants; or if today’s accounting brings benefits to the whole society or just to certain preferential groups of stakeholders.

References


Accounting and the state in post-communist Romania


Notes

1 B&L designation for Laughlin R. and Broadbent J. work considers the alphabetical criterion.

2 The connection between the IFRS and AS accounting systems is based on studies which argue that IFRS are influenced by US GAAP or UK GAAP (Hove, 1990; Kenny and Larson, 1993; Hoarau, 1995; Hung and Subramanyam, 2007; Ionășcu et al., 2007).

3 The literature argues that among the differentiating features of the accounting systems there are distinct tax rules for the AS system, and tax dominated rules for the CE system (Nobes, 1992; Nobes and Parker, 1995; Blake et al., 1997). Also, it asserts that the introduction of IFRS represented a step towards the ‘watering down’ of the tax-accounting linkage, which is deeply anchored in the CE-type accounting system (Hung and Subramanyan, 2007; Ionășcu et al., 2007; Eberhartinger and Klostermann, 2007), and led to a similarity with the AS-type system, as in the case of Norway (Nobes and Schwencke, 2006).
Appendix 1

Table A1 Romanian accounting regulations evolution applicable to companies

<table>
<thead>
<tr>
<th>Stage 1: 1991–2000</th>
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</thead>
<tbody>
<tr>
<td>After more than four decades of dominance of the former USSR experience, the Romanian accounting system opens to Europe through the adoption of the Western European economic (and accounting) model. The period 1990–1993 represent the transition to French accounting system. In 1991, the Accounting Law no 82/1991 and its implementation measures were adopted. The adopted French system brings in a chart of accounts type normalisation (CE type), which influences the organisation documents and accounting techniques and financial statements. A new objective of financial accounting is established – true and fair view of the patrimony, of the financial situation and of the results – and principles that could sustain it are introduced (conservatism, conformity with the rules, sincerity). In 1997, a program is launched which aimed to harmonise national accounting with the European and international accounting referentials. The Order of the Minister of Public Finance (hereafter OMPF) no 403/1999 for the enforcement of accounting regulations in accordance with the 4th Directive of the European Economic Community and the IFRS is issued. This is translated to the implementation, though partial, of the IFRS already in this period, even if it is more like an experiment.</td>
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<table>
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<tr>
<th>Stage 2: 2001–2014</th>
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</thead>
<tbody>
<tr>
<td>Rules converging with the IFRS (in the AS spirit) for entities considered to be large and, to a certain extent, for SMEs are adopted. Thus, a developed accounting system, regulated by OMPF no 94/2001 for the approval of accounting regulations in accordance with the 4th Directive of the European Economic Community and the IFRS, for large companies, on the one hand, and a simplified accounting system based on OMPF no 306/2002 for the approval of simplified accounting regulations in accordance with the European Directives for SMEs, on the other hand, are defined. The European accounting elements are less significant. IASB’s Conceptual Framework and some of the principles stipulated therein are adopted. Moreover, features and accounting treatments demanded by the market are drawn up. The importance of disclosed information increases. The normalisation based on the chart of accounts is combined with the normalisation based on the conceptual framework. During 2005 and 2013 the regulations from the previous period are abolished and OMPF no 1752/2005 regarding the approval of accounting regulations in accordance with European accounting directives is issued. A transition is made from accounting harmonisation to accounting conformity with the European accounting Directives. The conformity with the 4th EU Directive is provided for individual accounts and, additionally, IFRS are required for consolidated accounts of listed companies, compulsory from 2007, through the issue of OMPF no 1121/2006. The previously introduced conceptual grounds are maintained, and European rules are added thereto. OMPF no 1752/2005 is replaced by OMPF no 3055/2009, which mainly keeps the guidelines in the previous order, in line with the updated European Directives. OMPF no 3055/2009 was also updated by OMPF no 1898/2013, as several requirements from IFRS and the International Financial Reporting Interpretations Committee (IFRIC) were adopted. Moreover, OMPF no 882/2012 requires listed companies to apply IFRS to their individual accounts.</td>
</tr>
</tbody>
</table>
Appendix 2

Table A2  Interview instrument

Please answer the following questions taking into consideration your experience as accounting professional and your knowledge of the Romanian accounting and fiscal rules as they progressed, and as you applied them in practice in the period 1991–2010:

1. Has the tax-accounting link affected your professional/ cultural development? If yes, how?

2. Can you count the accumulation of new economic/technical knowledge among the influence means? Or, on the contrary, you consider to have been limited in your knowledge development? Please elaborate.

3. Can you count facilities or difficulties in defining your personal identity among the influence means? Is it a professional or/and a different nature identity? Please elaborate.

4. Do you think that the accounting information users* were influenced by the tax-accounting link in their behaviour towards the accounting professionals? If yes, how?

Notes: *The accounting information users are different groups/persons with the quality of owners, creditors, managers or other partners of the organisation. You offer them information and develop relationships in order to meet the objectives of financial reporting.

Appendix 3

Table A3  Sample characteristics

<table>
<thead>
<tr>
<th>Professional accountants’ and accounting companies’ characteristics</th>
<th>Sample (n = 20)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mean</td>
</tr>
<tr>
<td>Magnitude of professional activity</td>
<td></td>
</tr>
<tr>
<td>Turnover (Euros, year 2009)</td>
<td>129,609.00</td>
</tr>
<tr>
<td>Number of employees (year 2009)</td>
<td>7.70</td>
</tr>
<tr>
<td>Professional experience (years)</td>
<td>17.35</td>
</tr>
<tr>
<td>Age (years)</td>
<td>46.20</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Title of the position held by the senior accountant</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manager or partner of the accounting company</td>
<td>8</td>
<td>40</td>
</tr>
<tr>
<td>Professional accountant with substantive experience within the accounting company</td>
<td>12</td>
<td>60</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Type of predominant organisations within the client portfolio of the professional accountant in terms of size</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large/listed companies</td>
<td>2</td>
<td>10</td>
</tr>
<tr>
<td>Small and medium companies</td>
<td>18</td>
<td>90</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Type of predominant organisations within the client portfolio of the professional accountant in terms of main shareholder</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local companies/groups</td>
<td>14</td>
<td>70</td>
</tr>
<tr>
<td>Foreign companies/groups</td>
<td>6</td>
<td>30</td>
</tr>
</tbody>
</table>