

## **THE EFFECTS OF THE ADOPTION OF IAS / IFRS BY COMPANIES LISTED ON THE REGULATED MARKET (BUCHAREST STOCK EXCHANGE - CATEGORY III) ON THE AUDIT MISSION**

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*ABSTRACT: The purpose of this article is to present the effects from the application of international financial reporting standards on the audit mission, namely the evidence necessary of the financial auditor to issue the audit opinion on the financial statements audited. The main objectives taken into account aim to present the theoretical aspects related to the topic addressed and then the practice. The empirical research is based on semi-structured interviews with a sample of 61 companies listed on the regulated market of category III.*

*Keywords: IAS / IFRS, audit mission, audit evidence, audit opinion, audit report*

*JEL Codes: O10, M41, M42*

### **Introduction**

No one doubts the fact that quality information is an essential element of progress, regardless of their field of activity, especially when it comes to economic activities of economic agents. Making correct decisions that can help solve complex problems arising in the life of every company is decisively influenced by the quality of financial information. In this context, the need for financial audit is becoming increasingly evident, it provides an extra security and financial credibility of accounting information to all those interested. Besides contribution brought to improve the quality of accounting and financial information audit can be considered a means of supporting transparent financial communication (Neamtu et al., 2012).

The major problem with the widespread application of IAS/IFRS by Romanian entities refers to the relationship between accounting and taxation. Anglo-Saxon accounting, so the rules of IAS / IFRS, is characterized by full independence from taxation. Towards achieving the goal of our research we subscribe to professor's Demeestère opinion, quoted by Bernard Colasse in his work that "each of these European or international models aimed at satisfying specific information needs, they can be considered in perspective "pragmatic " more or less true, more or less useful to the information needs which it must satisfy" (Colasse, 2009).

Based on these considerations we chose to examine the impact of application of IAS/IFRS by companies listed on the regulated market (BSE - category III) on the engagement, mission performed by the independent auditor and ending with the issuance of an audit report for users of financial information.

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### **Literature Review**

The literature in the field of the approached theme is not very rich in publications, however we try to make some references. Diomed Federico (2009) presents a study on the implementation of auditing standards in Europe, an action that resulted from the requirements of Directive 43/2006/CE. The study concluded that most entities take a very practical approach on the implementation of IAS/IFRS does not monitor the international normalization process nor focuses on the general framework applicable.

Maria Manolescu et al. (2009) present the results of research on the implementation capacity of IAS/IFRS by certain public entities, research started in 2007. They pointed out that many of the entities studied, managers / supervisory board do not pay enough attention to financial accounting or appropriate specialist support. In 2008, continued the research on the capacity to implement IAS/IFRS, this time aimed at evaluating entities were required application of IAS/IFRS for 2007, as well as entities that have chosen to apply IAS/IFRS or at the request of the donors or the request of shareholders. It was concluded that companies prepare financial statements under IAS/IFRS especially because they are required by banks / lenders, shareholders or the group to which companies belong the group preparing financial statements under IAS/IFRS.

Ovidiu Budget et al (2012) asks the firm provides. The answer may be simple: credibility for financial reporting and accounting information. It can be likened to a "guardian of the true image" and its report - a document that provides on the "health of financial reporting." How to develop the audit profession? The credibility provided by the auditor. The premise of "health Financial Statements" is represented by the principles of accounting. One of the basic conditions necessary for the efficient functioning of the regulated market of the capital is the standardization of financial reporting. The steps associated with the process of adoption, implementation and enforcement of IFRS One of the major contributions that stands spirit is the requirement that preparatory IFRS financial statements to comply with a set of qualitative attributes whose essential purpose is to outline a true (true and fair view) the financial position, performance and changes in financial position of issuers of securities. In Romania, the implementation and application of IFRS has acquired new meanings, by including in the category of entities required to apply from the year 2007 and the companies whose securities are admitted to trading on a regulated market and preparing financial statements consolidated (Dănescu et al. 2011).

In Romania, through Order no. 881 of 2012 were passed to the application of IFRS by companies whose securities are admitted to trading on a regulated market at the balance sheet date, ie 31 December 2012. Theoretically, we expect that the impact of IFRS implementation on the statement of financial position and financial results to be significant. At the same time, the process of conversion to IFRS financial statements prepared in accordance with national financial regulations will have a direct impact on companies in terms of implementation costs (Coracioni, 2012).

### **Methodology Research**

Methodology is a complex word (concept). Etymologically, it is formed from *methods* and *logos*, which mean "method" and "science" in Greek, and in free translation it means "the method's science", meaning the science of conceiving, choosing and using the method in the investigation of the economic phenomenon. The research methodology represents the theory and the practice of the methods, namely an activity that is studying the essence, nature, status, definition, classification, etc. in order to build explanatory models. Scientific research is necessary for seeking and finding solutions or answers to immediate problems, as well as for composing reasonable theories for the problems related to materiality, audit risk and their relationship.

The research methodology that we used to achieve this article was to analyze and systematize the literature, the rules in the field, as well as actually documenting an entity, Romanian legal person, to achieve case studies. Towards the targets, in this article I used as the main research methods, the following : qualitative analysis , it being found in the comparison method , a method aimed at obtaining perceptual differences between the application of national rules and those under IAS/IFRS interview as a tool for qualitative method and was addressed management accounting and financial departments used to identify the application of the rules of IAS/IFRS, documentation that theoretical research method in which we included specialized accounting literature in the field, synthesis found in drawing conclusions aimed at explaining and assessing the situation found, Statistical clustering, case study , interpretation of results.

### **Conceptual analysis of qualitative method - the interview**

Our approach is to identify the possible effects in the audit engagement following the adoption of IAS/IFRS by companies listed on the regulated market (BSE - category III) and not covered by Order no. 1286/2012. Thus, we intend to deepen the empirical size of an exploratory study investigated the phenomenon that present practical aspects of the application of IAS/IFRS in terms of human resources (financial accounting department leaders within Romania entities listed on BSE regulated market category III and not covered by Order no. 1286/2012), those who coordinate the adoption process, ensuring efficiency, effectiveness and quality and supervises its quality. In general, the managers of entities begin to pay attention to how disclosures are perceived by users in different countries, leading in time to launch a concept such as "international accounting" concept based on a process of elimination national differences and to align the rules and accounting practices worldwide. The question is whether we can grant credit to accounting choices based on defining options of accounting policies most appropriate to the entity to reflect economic reality?

Differences in the recognition and subsequent evaluation of the elements of financial statements between the two of accounting referential (national and international) are caused by the existence of a dependence of the accounting regulations of national tax rules, dependency which prevents the publication of comparable information across time and space. In the present study we focus on the concept of "quality" as defined by Crosby ("according to the requirements"), extending the definition and reporting quality of adoption of IAS/IFRS financial statements adequacy of companies from the Alba and Cluj County listed on regulated market (BSE) that are not covered by Order no. 1286/2012 (compliance with standards IAS/IFRS, the qualitative characteristics of financial information published recognition and options valuation of fixed assets and current assets) (Crosby, 1979).

The general criteria for the selection of the entity 61 are presented in the table below:

Table no. 1

<b>Selection criteria of the entity</b>	
<b>Selection Criteria: County</b>	
Alba Country: 25 entities	Cluj Country: 36 entities
<b>Selection Criteria: Activity Domain</b>	
Production: 45 entities	Trade: 16 entities
<b>Selection Criteria: Capital owned</b>	
National capital: 36 entities	National and foreign capital: 25 entities
<b>Total entități: 61</b>	

Source: own projection

To obtain data we used the interview method. This method "is meant to provide us additional and complementary data on the subject of study" (Miftode, 2003). 61 people were interviewed holding the position of manager of financial accounting department of companies listed on the regulated market (BSE - category III). Period in which they were interviewed these people was April 2013 - May 2013. Were selected persons holding office mentioned because they are responsible for quality processes, financial and accounting methods and techniques also have the task to coordinate, control and supervise the financial accounting department of the company.

The technique used for data collection was semi-structured interview using a semi structured interview guide that directed the respondent to relevant aspects of the topic. In processing, analysis and interpretation of data comprised the following issues: transcribing interviews, standardization of information drawn from transcribed interviews, information classification units of analysis, identification of key analytical categories, coding, analysis and interpretation of data.

In choosing the term "procedural issues" we were guided by the responses that focused elements of organizational functionality (activities, tasks, task operations) in accordance with international standards such as adoption of IAS/IFRS, regular reassessment of property, plant groups of property on which to apply the revaluation "fair value" view of implementing the rules of financial accounting and accounting option "fair value" as used in the assessment of tangible standard IAS 16 Property, the assessment by estimating reserves for litigation, "the deduction method of cost subsidies" as a second option of IAS 20 Accounting for government Grants and disclosure of government Assistance in the recognition of government grants related to assets, recording impairment old bad debts 270 days . All these results can be considered procedural organization of companies listed on the regulated market from the Alba and Cluj County (BSE) to provide quality services and to operate in terms of quality.

It appears therefore that there can be a process in adopting the rules of IAS/IFRS, as long as Romanian legal framework does not fully meet the international. Those interviewed, although aware of this, merely implement Romanian legislation without highlight the urgent need to adopt SMART principles of international law.

Standards IAS/IFRS provide a choice in selecting institutional policy on financial accounting between the cost model (after recognition as an asset, an item of property shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses) and revaluation model (after recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably shall be carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and any accumulated impairment losses , revaluations should be made with sufficient regularity to ensure the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date). Institutional practices in institutional policy choice was chosen revaluation model.

The responses and information provided by the respondents it is clear that not all groups of assets are revalued periodically, revaluation being considered by the majority of those interviewed as part of proper standards IAS/IFRS. The reasons behind these systemic weaknesses are described as financial. We can therefore conclude that, in terms of factors driving financial and accounting departments cannot speak of an optimal process evaluation/ revaluation account options "fair value" is considered by most respondents "partially adequate".

Another topic discussed in the interview was related to evaluation by estimation of provisions for litigation, and if we have not been able to conclude a total conformity between the international IAS/IFRS accounting standards and national financial policy of the companies listed on the regulated market (BVB - category III) in the study, this time unanimously interviewees said

that the closure of the financial year, evaluates by estimating the provision for litigation. This shows that under procedural aspect there is potential for the application of international provisions.

A final aspect of the procedural dimension pursued in the semi-structured interview guide for the registration the impairment loss doubtful receivables older than 270 days. In this respect the international legal IFRS 7 Financial Instruments: Disclosures requires disclosure of the maturity dates of financial assets and financial liabilities. Financial assets include trade and other receivables, and financial liabilities include trade and other payables.

For all assets of nature of the claims that became uncertain, based on the experience and professional judgments on the conduct of economic activities, it is necessary as a rule annual inventory completion of action to propose setting adjustments. From a tax perspective, national adjustment to depreciation expense claims stated above can be considered partially deductible. If the answers respondents associate with international provisions regulatory issues, but also national ones we see the same process to comply with international regulatory framework only partially achieved. This conclusion is drawn from the responses most people who run financial and accounting departments of companies included in the study to the question of registration the impairment loss doubtful receivables older than 270 days. These responses indicated that impairment of doubtful debts are recorded only in part, namely 30%, not full like if total compliance process international regulatory framework described above.

In the choosing of the term "quality-operational matters" we were guided by the answers that reveal qualitative characteristics of financial information published ,observational and acted out in terms: the transparency of financial statements, users' trust in the financial statements, comparative analysis of the Romanian legislation financial accounting with international law (rules of IAS/IFRS).

According to IAS/IFRS, the qualities that make accounting information useful for decision makers are "intelligibility (specific quality basic) information must be easily understood by users, relevance (quality information source) require information that is necessary for influence the economic decisions of users, comparability (as secondary) require that information can be compared over time, thus identifying trends in the enterprise, including multiple opportunities for economic analysis, reliability (fidelity presentation) claim that the information neutral, impartial, the lack of influence, and obviously not to contain significant errors".

If you were to summarize the idea is very clear from these provisions of international norms, we find that, according to their financial and accounting information quality measure is given by the users regardless of their status: investors, control or decision makers, service users and so on Based on this conclusion, respondents were asked to talk about the transparency of financial statements as a result of the application of international standards IAS/IFRS. Most respondents in their answers regarding this issue, referred to the fact that at present, 'financial statements meet the financial needs of investors. "There were also responses that said that "the organization, management accounting and reporting IAS/IFRS financial reporting directed to provide all users use" and answers that indicate the importance of using a common language that facilitates cooperation in this field, comparability and access to the information.

Analyzing qualitative characteristics of financial and accounting information is noted that these are taken and by the regulations approved by the Order No. 3055/2009 at national level, but differences arise when implementing problematic. In this case, in terms of transparency emphasize the dependence of this normative act to the Tax Code by issuing different accounting treatments of standards IAS/IFRS, where judgment prevails. Qualitative characteristics are the attributes that determine the usefulness of the information provided by financial statements. The four main qualitative characteristics are understandability, relevance, reliability and comparability".

Intelligibility is defined by this order as "easily understood by users." ("For this purpose, users are assumed to have a reasonable knowledge of business and economic activities and accounting and a willingness to study the information with due care"). However, information on complex issues that should be included in the financial statements due to their relevance in taking economic decisions should not be excluded solely on the ground that it might be too difficult to understand for some users.

Relevance is defined, according to regulations approved by the Order No. 3055/2009 as utility of decisions by users. "Information is relevant when it influences the economic decisions of users by helping them evaluate past, present or future, to confirm or correct their past evaluations." Also in the regulations approved by the Order No. 3055/2009 it is mentioned that "the relevance of information is affected by its nature and materiality. In some cases, the nature of the information is sufficient by itself to determine its relevance. In other cases, both the nature and materiality are important.

Financial information is given meaning by "omission or incorrect presentation to influence the economic decisions of users taken on the basis of financial statements. In analyzing the significance of an item are taken into account size and / or nature of the omission or misstatement judged in context."

In relation to the credibility of regulations approved by the Order No. 3055/2009 includes the following clarification: "information is reliable when it contains significant errors, it is not biased, and users can trust that it is correct that aims to represent or what they expect, reasonably, be. To be reliable, information must represent faithfully the transactions and other events that it is aimed to represent, or is expected, reasonably, to represent them."

There are also other conditions for the information to be credible: "events and transactions that aims to represent, it is necessary that they are accounted for and presented in accordance with their substance and economic reality and not merely their legal form "; "must be neutral, free from influence (financial statements are not neutral if, by the selection and presentation of information, influences a decision or formulating a rationale to achieve a predetermined result or objective) judgments necessary to the exercise to make estimates required under conditions of uncertainty, it is necessary to include a degree of caution, so that assets and income are not overstated and liabilities and expenses are not understated, and must be complete (an omission can cause information to be false or misleading and thus not to be credible character and become deficient in terms of relevance)."

The association between increasing users' confidence in financial statements and adoption of international standards IAS/IFRS has helped us to determine a category of information from respondents referring to "the need for fiscal independence" specified in international standards. Respondents in the majority consider that "the application of IAS/IFRS allow investors a meaningful analysis of financial statements".

Another important feature is the comparability of financial and accounting information. In this regard, the regulations approved by the Order No. 3055/2009 states that "users should be able to compare the financial statements of different entities to assess their financial position and performance. Thus, measurement and presentation of the financial effect of the same transactions and events should be conducted in a consistent manner within an entity and over time for that entity and in a consistent manner for different entities. "

In terms of broad comparability of financial statements prepared in accordance with accounting regulations approved by the Order 3055/2009 may not be comparable to those prepared in accordance with IAS/IFRS due to the existence of differences related to recognition and measurement methods subsequent to balance sheet items.

The proposal to compare Romanian legislation with the international field trials interviewees highlighted the adoption of IAS/IFRS for national regulation to comply with international ones. They noted, however, a "partial adoption" of international law and "the urgent need for freedom accountant regarding professional judgment. National legislation to conform to standards IAS/IFRS shall comply fully the accounting treatments provided within them.

Analysis of the qualitative aspects of the operational impact of the application of IAS/IFRS on the financial year of the companies listed on the regulated market (BSE) in the study demonstrates that international law now, that rules IAS/IFRS are not fully complied with any terms of transparency, and reveals the habits and culture of the professional accountant at national level to favor state institutions as user of financial information by issuing financial statements whose qualitative features are adopted partially.

In choosing the term "structural issues" we were guided by the answers that reveal information about the components of the financial accounting system that works in the companies surveyed. The option of the Company in relation to methods of revaluation of intangible assets, at book value depreciation of tangible assets in the form Impairment according to Standard IAS 36 Impairment of Assets, compliance of IAS/IFRS on taking over the management of investments made by other entities such as transformers, etc.

Both the analysis and the analysis of legislation interviewees' responses allow us to state that for the recognition of intangible assets, the regulatory framework is different from the national international.

Standard IAS 38 Intangible Assets provides that an entity shall choose as its accounting policy either the cost model (after initial recognition, an intangible asset shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses) or the revaluation model (after initial recognition, an intangible asset shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated amortization and any subsequent accumulated impairment losses). The purpose of revaluations under this Standard, fair value shall be determined by reference to an active market. Revaluations shall be made with such regularity that at the balance sheet date, the carrying amount of the asset does not differ materially from its fair value. If an intangible asset is accounted for using the revaluation model, all other assets in its class shall also be accounted for using the same model, unless there is an active market for those assets. A class of intangible assets is a grouping of assets of similar nature and use in an entity's operations similar. The items within a class of intangible assets are revalued simultaneously to avoid selective revaluation of assets and reporting in the financial statements certain amounts representing a mixture of costs and values as at different dates.

National legislation is that which is mentioned in respondents' answers. In this regard, the accounting regulations approved by the Order 3055/2009 provide for the valuation on the balance sheet as "an intangible asset in the balance sheet must be submitted at input value, less the cumulative value adjustments".

A structurally coincident both in international law and in the national registration is related to the accounting of depreciation in the value of tangible assets Impairment form. All respondents stated that they take this activity. Their responses show that this course of action is in accordance with standard IAS 36 Impairment of tangible assets, so that "an asset is considered impaired if the recoverable amount is less than its carrying amount (or value remaining), the impairment loss is the difference between the two values".

The analysis of the qualitative aspects of the operational impact of the application of IAS/IFRS on the Company's financial year surveyed conclusion drawn is that now international law norms that IAS/IFRS are not fully met any terms of transparency or below the comparability.

Despite these deficiencies in terms procedural, structural or operational quality, there is potential for the application of international because there are situations where there is a full compliance between international standards IAS/IFRS accounting standards and national financial policy of the Company included in the study quoted on the regulated market (BSE).

### **Audit mission- the adoption of IAS/IFRS by companies listed on the regulated market (BSE - Category III)**

Clearly the engagement structure enforced the adoption of IAS/IFRS the Company is not different from the adoption of a regulatory framework issued nationally same steps that include: designation of independence signing, planning, verification and completion. But in terms of content these stages predominantly verification is slightly different so that the audit evidence audit dimension is often supplemented if IFRS: a property evaluation reports, the situation on the degree jurist Receivable order to certainly appreciate recovery, pension plan included in the collective labor agreement for the calculation of adjustments for post-employment benefits, etc.

### **Audit Report - "finished product" of the financial audit activity**

Evolution is linked to the financial audit of accounting. Dănescu Tatiana (2007) the role of financial audit, as follows:

- user confidence in accounting information;
- bringing a safety in that accounting information was obtained, processed and presented in accordance with the standards of national and international accounting principles;
- give reasonable assurance that the statements are not tainted by fraud, error, so that the information in the financial statements can be used in making decisions.

According to ISA 200 (General objectives of the independent auditor and realizing an audit in accordance with International Standards on Auditing), the auditor's opinion on the financial statements deals with the extent to which financial statements are prepared in all material respects, the methods according to the financial reporting applicable.

At the end of the business to audit financial statements, the auditor based on the audit evidence is forming an opinion on them, noting all the issues in a document called the audit report. International Standards on Auditing (ISA 700), the auditor's report must contain his opinion, clearly expressed, in writing, on the financial statements as a whole.

Horomnea Emil (2010) presents the role of the audit report as follows:

- Means of communication with users of financial statements of the entity primarily with shareholders and the public, to base economic decisions;
- Confirmation Tool of the shareholders and the public trust in the financial statements submitted by the entity;
- Tool to identify the responsibilities for the auditor and of the audited entity management.

So, following the previously described it is clear for although the auditor's opinion is unbiased the audit report may be influenced by the regulatory framework to which they relate, which is why it is incomplete or rather differentiated and affect the economic decisions of users of the information financial accounting. To strengthen this claim in the following table we try to expose the audit report to an audit client (one of the companies listed on the regulated market (BSE - category III) and not covered by Order no. 1286/2012) to which the regulator reports by a comparison.

Table no. 2

**Audit opinion on the Company X according to the regulatory framework to which it relates**

Audit opinion under Order 3055/2009	Audit opinion in accordance with IFRS
<p>- Society has uncertain claims on account 4118 - bad debts amounting to 2,624,171.85 lei, which were established Impairment in account 491 - Impairment of doubtful receivables. The company also owns the account 4111 - Customer, receivables totaling 19,267,065.91 lei of which 1,345,115.68 lei are a claim older than 270 days, the auditor considered doubtful debts. Doubtful as of 31.12.2012 issued by the Company and approved by the Legal and financial auditor, the sum of £ 1,345,115.68 lei mentioned, there are chances of recovery for the sum of 487,453.81 lei, so the company at 31.12.2012 should have been in the account 491 - helping a further adjustment for impairment of receivables difference 857,661.87 lei, which in turn diminishes position 25 trade receivables in the balance sheet, while diminishing position 85 profit or loss for the financial year ;</p> <p>-Although confirmation letters were sent to debtors balances to third parties, we note that there were significant manner to obtain confirmation of account 4111 - Customer, respectively were obtained confirmation only 63.70% of the outstanding existing value 31.12.2012 totaling 19,267,065.91 lei for this category of claims;</p> <p>-Although confirmation letters were sent to a third party creditor balances, note that there were significant manner to obtain confirmation of accounts 401 - and 404 Suppliers - Suppliers of property, were obtained confirmation that only 47.34% of the outstanding 31.12.2012 existing value totaling 8,257,484.29 lei for the two categories of obligations.</p>	<p>- Society has uncertain claims on account 4118 - bad debts amounting to 2,624,171.85 lei, which were established Impairment in account 491 - Impairment of doubtful receivables. The company also owns the account 4111 - Customer, receivables totaling 19,267,065.91 lei of which 1,345,115.68 lei are a claim older than 270 days, the auditor considered doubtful debts. Doubtful as of 31.12.2012 issued by the Company and approved by the Legal and financial auditor, the sum of £ 1,345,115.68 lei mentioned, there are chances of recovery for the sum of 487,453.81 lei, so the company at 31.12.2012 should have been in the account 491 - helping a further adjustment for impairment of receivables difference 857,661.87 lei, which in turn diminishes position 25 trade receivables in the balance sheet, while diminishing position 85 profit or loss for the financial year ;</p> <p>-Although confirmation letters were sent to debtors balances to third parties, we note that there were significant manner to obtain confirmation of account 4111 - Customer, respectively were obtained confirmation only 63.70% of the outstanding existing value 31.12.2012 totaling 19,267,065.91 lei for this category of claims;</p> <p>-Although confirmation letters were sent to a third party creditor balances, note that there were significant manner to obtain confirmation of accounts 401 - and 404 Suppliers - Suppliers of property, were obtained confirmation that only 47.34% of the outstanding 31.12.2012 existing value totaling 8,257,484.29 lei for the two categories of obligations.</p> <p>-Although at 31.12.2012 the Company passed first to apply IFRS it still was not adjusted for post-employment benefits based on the pension plan included in the collective labor agreement totaling 285,896.94 lei in accordance with IAS 19 "Benefits employees ". Establishment of pension adjustments would have resulted in the increase position in row 57 Provisions for pensions and similar obligations in the balance sheet, while diminishing position 85 Profit or loss for the financial year to the sum of 285,896.94 lei;</p> <p>-Although at 31.12.2012 passed first company to apply IFRS them and although the company conducted between 05.11.2007 - 30.11.2009 investment environment (dust extraction equipment) financed by credit, to pay interest and commissions totaling 233,623.83 lei, yet these costs capitalized value of the investment. Please note that in accordance with IAS 23 "Borrowing costs" such costs can be classified as borrowing costs, a situation which leads to higher position in row 08 Machinery and equipment in the balance sheet, while increasing profits brought forward position 83 the sum of 233,623.83 lei;</p> <p>-Although at 31.12.2012 The company has passed for the first time in their IFRS implementation revealed no deferred income tax related adjustments arising from the transition to IFRS;</p> <p>- Society does not have a developed set of accounting policies for the transition to first-time application of IFRS.</p>

Source: own projection

Based on the audit engagement contracted by the audit client SC X S.A. through the service contract, was intended to achieve the engagement objectives, namely to ensure compliance and accuracy of financial statements ended on 31.12.2012, respectively whether they are consistent in all material respects, with financial reporting and accounting regulations required (accounting Law no. 82/1991 with subsequent amendments, order 3055/2009 for the approval of accounting regulations compliant with European Directives). Towards achieving these objectives at the end of the mission, based on the evidence gathered and appropriate, the auditor prepares a summary of the adjustments found in each section of the audit, to be submitted for acceptance on the meeting with the management of the audit client.

Throughout the audit both the audit work planned and size of materiality and the sample were periodically checked in light of recent financial statements available, responsible for the mission will change depending on the value of materiality and accepted the proposed adjustments, adjustments once identified and discussed were the reserves in the audit report.

At the end of the audit, the independent auditor has issued an audit opinion in the audit report, judgment in determining the type of opinion is made according to the comparison between materiality calculated at the stage of completion and value adjustments financial auditor, but not accepted by client. Audit opinion was made according to International Standard on Auditing 700 "The Auditor's Report on Financial Statements" and as we have seen in the above table is differentiated according to financial statements under national or international accounting regulations. Thus, in the audit engagement to ensure compliance to the regulatory financial statements Order no.3055/2009 audit opinion contains reservations totaling 857,661.87 lei, the amount that adversely affect the company's financial position and performance, and the mission to ensure compliance audit the financial statements in the international regulatory framework (IFRS) audit opinion contains reserves of 1,143,558.81 lei, which sum adversely affect the financial position and performance of the company and the value of 233,623.83 lei the amount to positively influence the financial position and performance of the company. We mention that in the second case, namely to ensure compliance of financial statements in the international regulatory framework (IFRS) proposed adjustments cannot be fully quantified reason for it can't be know precisely the total amount affecting the entity's financial position and performance. It is important to note that on the other hand, the result for the financial year of publication and subject to the audit report accompanying these financial statements influence the decision of potential investors and external users of information.

### **Conclusion**

A first conclusion of the research on the impact of application of IAS/IFRS by companies listed on the regulated market (BSE - category III) on the engagement the independent auditor expressed in a report for users of financial information from the perspective of human resources is that in addition to the expected effects, visible of applying international regulations, a special contribution in this approach bring human resources, personnel that implements and monitors effects of applying and which still has the power and opportunity to require corrective action at the legislative level. All differences and even appeared distortion rooted in a partial adequacy Romanian legal framework at international or a national adoption of rules based on specific principles and not yet generally available, customer oriented and service quality to it.

Impact at both procedural and quality, operational, and structural is marked, according to results of analysis performed by the impossibility of defining a process in adopting international standards IAS/IFRS as persons responsible for financial and accounting functionality is limited to the adoption of national legislation not to highlight the urgent need to adopt the SMART principles of international law.

Thus, research results obtained by applying the method of qualitative research respectively semi-structured interview for the sample set in early research of 61 companies listed on the regulated market of category III different business objects but with one constant and essential feature study proposed market listing, is that the impact of both procedural and qualitative-operational, but also structural is marked, according to the results of analysis of the impossibility of defining a functional process of adopting international standards IAS/IFRS because those responsible for functionality of the financial accounting system is limited to the adoption of national legislation without emphasizing the imperative need to adopt the SMART principles of international law.

To detail the result obtained in quantitative terms, statistically we mention: in the category procedural aspects, of the 61 respondents (heads of financial accounting department of the company) only 20% align international regulatory framework therefore cannot speak for a functional process for adoption of IAS/IFRS; in the category qualitative operational aspects, even if at first glance the two regulatory frameworks reported are similar, the differences appear to implementation so that the entire group to 99.98% opted for the adoption of the regulation issued at national level; and not least in the category structural issues is the national law that is mentioned in answers to 84.49% of the respondents.

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