

ACADEMY OF ECONOMIC STUDIES BUCHAREST

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**LIBERTY AND CONFORMITY IN THE ACCOUNTING
AND TAXATION OF ENTERPRISE.**

(SUMMARY)

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Key Words

Amortization; Harmonization; Balance; Conciliation; Accountancy; Contributions; Fiscal Consultancy; Profit and Loss Account; Competitiveness; Taxpayer; Managerial Decisions; Declarations; Evaluation; Taxation; Taxes; Accounting Information; Fiscal Information; National Interest; Small and Medium Enterprises; Management; Fiscal Mechanisms; Modeling; Methodology; Fiscal Optimization; Accounting Policies; Taxation Policies; Good Accounting Practices ; Accounting Principles; Provisioning; Report; Relation Accountancy - Taxation - Management; Accounting Result; Fiscal Result; Risks; Securing; Fiscal System fiscal; Yearly Financial Situations; Logical Schemes; Taxes; Trinomial; Theory.

Thesis Abstract

The issues of freedom and compliance in the accountancy and taxation of an enterprise is one of the main factors marking the continuous evolution of the of the accounting and fiscal theory and practice. Based on this reality, accountancy as a science is called upon to generate solutions for the new challenges related to the mutations emerged in the specificity of the economic and financial transactions at a national, European and international levels, especially those induced by the general process of globalization. In this sense, we can note the increasing convergence trend in the accounting systems at a global level, to which contribute the international professional organizations, by their revising the old standards and/or by adopting new standards in the accounting field, accounting reporting and in the field of uniform interpretation.

At the same time, taxation has become a major issue at a global level. The recent controversy concerning the lack of transparency in the transactions carried out through offshore involving important businessmen or even politicians, generates an increasingly powerful reactions of the economic powers, one of the suggested solutions being to harmonize the fiscal systems and thus preventing evasion as well as the discrimination of local businesses, by multinationals' profit taxation in the country where they it is realized. Thus, each state authority can harmonize better the liberties and conformities in the regulations, by using the information resulted subsequently to accessing the fiscal and accounting data of the multinational companies.

Starting from these considerations, within the doctoral research on our topic, it was necessary to answer several sets of questions the answer to which marked out the thesis structure as well as the debate carried out in each of its chapters.

Thus, the first set of questions addresses the issues of the relations between accountancy, taxation and management, the symmetries and asymmetries in the relations among the constitutive parts of this trinomial, otherwise said the harmony, consistency and proportionality characterizing the said relations. From this perspective, a first question we proposed to answer focused on the accountancy contribution in the unfolding of the process of initiating and doing business, under the conditions of the leading technologies' exponential development, but also of the transnational transactions' unprecedented diversification. The answer to this question started from the fact that in the doctoral research corroborated with the practical, personal experience

acquired in my capacity of general manager of a fiscal consultancy firm I got to the conclusion that the role of accountancy cannot be regarded as a simple tool in the management of the entity's patrimony, but as an element with interactive role, practically a partner of the general management in ensuring the business' profitable development. Only from this perspective, we can find optimal solutions for the challenges faced by the entity in carrying out its transactions, by permanently updating it with the real situation of the patrimony and creating the premises for efficiently answering any challenges.

Another questions concerns the emphasizing of the elements involved and of the modalities in which occurs the two-sided relation of the accountancy with the general management and with taxation, based on the idea that together they constitute the core nucleus of the profitable orientation process of any business. We mention that, in our view, the above referred to elements should be seen both separately as well as in a bilateral and trilateral permanent relation. We also operate the distinction between the general manager (the administrator or general manager who, with a decision of the AGA can be at the same time an administrator). We mention that our view on the general management is valid throughout the elaboration of the thesis, as it is, ultimately, one of the main beneficiaries of the information offered by the accountancy and the one that makes the necessary economic decisions, but always taking into account taxation. From this perspective, we emphasized the fact that the accountancy source of strength and stability in its relation with the management and taxation lies in the norms, standards, and rules controlling its functioning. At the same time, the orientation of the accountancy towards the management reinforces even further its role as a reference point in the gradual and continuous achieving of the objectives connected to an increasing business performance.

The last question in this first set addresses an answer on the modalities specific to the establishing of a hierarchy in the relations accountancy – taxation and assessing their impact on the management decisions. In formulating our answer, we identified three main aspects under which we see this networking. Thus, in the first place it is the action aspect in which the binomial accountancy – taxation appears as flows reciprocally conveying information, decision, feedback, etc and accomplishing specific actions of control, communication, payment of the fiscal obligations etc. The second aspect consists in the specific treatments with which we operate in actually accounting the fiscal obligations, the influence the latter bear on the

accounting truth. Finally, the third aspect refers to the fiscal optimization of the business, which has to be permanently in the management attention, in order to reduce, through fiscal means, the negative impact (of the fiscal burden), on the business. From this perspective, we emphasized the major part of the permanent harmonization of the relations accountancy – taxation, respectively of the interest of the economic entity with the fiscal interest of the State. Likewise, we showed the importance of the expediency, clarity, credibility, and relevancy of the information resulting following to the relating of the accountancy with the taxation, but also the need for symmetry within this relation, which entails the need for a continuous search for optimal solutions that do not disadvantage any of the areas mentioned.

The second set of questions concerns the themes concerning the modeling of the relation accountancy-taxation-management as a determining factor of the performance in the economy and starts from the controversies maintained at present, connected to: the elements bearing a decisive influence on the qualitative characteristics of the accounting information, the relation of the accountancy with taxation and , last but not least, the interrelation within the trinomial accountancy-taxation-management.

A first question from this set that we asked ourselves was connected to the possible configuration of a selection and grouping procedure of accounting techniques and methods, in the condition of the liberties and compliance foreseen by the accounting and taxing regulations, so that the accounting enterprise policies may be correctly and expediently configured, according to the specificity of the transactions carried out by the economic entity.

The answer was modeling, both with concern to accountancy and taxation, a fact that determined us to elaborate and include in the thesis a variant of the modeling process in accountancy, describe the place and role occupied by modeling in the accountancy as well as within the process of achieving performances in the accounting activity. In fact, the steps related to this aspect constitute themselves in a contribution to the development of scientific research by introducing the concept of accounting model, as a component of the accounting enterprise policies. We also contributed to the improvement of accounting practices by elaborating variants of the modeling process as well as for describing the process of achieving performances in the accounting activity.

Another question addressed the arguments that imposing the adoption of new models in taxation. The answer was given by the current structural and functional dynamics of taxation in

Romania, the fact that only through a legislative and procedural unification it is possible to reach a harmonious process in financing the State budget (the configuration of which was described in our work), concomitantly with the stimulation of a durable economic and social development, as one of the determining factors of promoting the national interest.

One of the questions frequently circulated in the business environment and of the specialists in the financing and accounting field for which we looked for an answer concerns the impact of modeling in accountancy and taxation on management performance. In our approach, we configured the process of modeling reciprocal conditioning in accountancy and taxation and we elaborated the scheme of integrating modeling into accountancy and taxation.

On this basis we synthesized as a logical scheme a variant of the decision making system in the accounting-taxation perspective, in which we illustrate the interrelation within the trinomial accountancy-taxation-management, as well as the decision-making circuit of the modeling process in accountancy and taxation.

It resulted a most important aspect, namely that modeling in accountancy should be considered in a double perspective, a flexible one and an imposed one, the determining elements being the options in selecting and using the methods and techniques within the process of configuring the accounting methods. The elements elaborated in this perspective inscribe as a contribution to the development of scientific research throughout the depth and utility of the decision-making processes and system.

The fourth question that was answered within the thesis was the one connected to the modalities through which is realized the fiscal security and the latter contribution to the achievement business competitiveness. In order to structure our answer we synthesized as schemes the following configurations: the relation accountancy-taxation-management; the relation taxpayer – fiscal system, as well as the logical scheme in the process of identifying and counteracting the fiscal risks. On this basis, we substantiated the concept of fiscal security, as a set of measures and actions by the application of which are identified and counteracted all the elements that might lead to the violation of the fiscal legislation and, consequently, to the prevention of a negative impact on the normal and correct unfolding of the economic and financial activity of an economic entity. It is an approach based upon the result of the doctoral research, corroborated with my personal experience of over 11 years in the activity of fiscal consultancy.

The third set of questions targets the arguments for a positive and normative theory for the relations accountancy – taxation – management. From this perspective, the first question we proposed ourselves to answer was to elucidate the origin and support of the phrase Tower of Babel in accountancy and taxation, as an important argument for a constructive accounting theory and good specific practices. In formulating our answer we started from the objectives invoked by the legislator in the substantiating notes of the new normative acts in the fields of accountancy, taxation and associated, having as a common denominator the idea of developing successively the role and place of accountancy and taxation in the process of streamlining the organization and unfolding of the transactions, according to the latest requirements, at a national level in connection with those at the European and international level. Thus, we had in mind the process of setting up a building which tends to permanently expand its dimensions on all plans and we identified new elements generating a dynamics of delimiting between the liberties and compliance established by the new normative acts, especially in connection with the subjectivism inherent in the normalization process, but also by the practical impossibility to identify and control all the possible consequences of the adopted solutions. Likewise, we emphasized the fact that the need for a uniform interpretation stays a constant in the normative processes, inclusively at the IASB level that was forced to constitute a committee for the IFRS interpretations and a consulting council for the IFRS. All the above-mentioned aspects were supported with the findings and views expressed subsequently to the identification and analysis of the major failures and uncertainties, both in the perspective of the accounting regulations, and of the fiscal and connected ones.

The second question arising within this set targets what precisely motivates the interest for a theory of relating within the trinomial accountancy – taxation – management. The formulation of the answer started from one of the definitions of the concept of theory, as being „any of the approaches of explaining the same set of facts or the same problem” (DEX, 2012: 1118). From this perspective, the answer we formulated was that a theory of relating within the trinomial must explain “without leaving place for uncertainties and confusions”, the main aspects resulting both from the one-way relation of the elements of the trinomial, and from their global relating, which at the end should express the complete and correct configuration both of the economic entity interest and of the State interest, as well of the conciliation modalities of the two

interests. Consequently, the interest for a interrelation theory within the trinomial, as it is typical of any theory should be seen under its triple role: explicative, normative and provisional.

Another question requires an answer concerning the configuration of the principles applicable to a new interrelation theory within the trinomial accountancy – taxation – management, considering the decisive role of the latter in achieving of business. The answer resides in the identification and configuration of the following principles: the principle of harmony; the principle of prevalence of the normative framework; the principle of thoroughly meeting the obligations towards those personifying that the trinomial's components; the provisional principle; the principle of evaluating the impact.

The fourth set of questions targets the accounting and fiscal policies oriented towards the streamlining of the relations within the trinomial accountancy – taxation – management. Thus, the first question requires an answer on the evolution of the possibilities of elaborating new models of accounting and fiscal policies. In formulating the answer we configured the structure and gave a description of the factors, evaluating the possibilities in elaborating the accounting and fiscal policies, depending on their future evolution.

The second question targeted an answer on the practical modalities of configuring the elements of the accounting and fiscal policies. In order to answer we configured the general framework for their elaboration and we analyzed the impact of each, separately, on the elements of the accounting and fiscal policies. Likewise, we formulated the requirements that must be taken into account during this demarche.

The last question in this set requires an answer concerning the way in which should look the configuration of the manual of accounting and fiscal policies, as well as of its elaboration methodology given that, both the regulations in force and the specialty literature, are deficient from this point of view. In order to answer we elaborated a variant of contest of the manual of accounting and fiscal policies, as well as a variant of the elaboration methodology, which in our view represents an applicable solution.

The fifth and last set of questions refers to, first, the modalities in which the accounting and fiscal policies are understood and put into practice by the main actors in the SMEs (superior management, hierarchical management and execution staff). Secondly, we tried to give an answer to the question concerning the opinions and mentalities of the above mentioned 3 (three) categories of persons. In order to answer in detail the two questions, we elaborated a

questionnaire based on which the empirical study in Chapter 5 was conducted. The said study resulted in conclusions of great relevancy with concern to the degree of knowledge, expressed by the multitude of the stated deficiencies, a number of wrong mentalities, but also of abilities inconsistent with the requirements, concerning the unfolding of the procedures at the basis of the accounting and fiscal policies elaboration. Likewise, we formulated solutions for the stated issues.

We mention the fact that the elements emphasized within the work as a result of the doctoral research have a high degree of originality and novelty, this approach being, in fact, a contribution to the development of the scientific research in the economic and financial field.

This goal was achieved by using descriptive, comparative, and explicative research methods, while the informative basis was represented by the specialty literature, the opinions, solutions and recommendations of recognized authors, like for instance my personal practical experience of over 16 years in the financial field and in the fiscal field.

In conclusion, we appreciate that our approach reached its objectives previously mentioned concerning the elucidation of important theoretical issues related to freedom and conformity in the enterprise accountancy and taxation.