

CONVERGENCES AND DIVERGENCES BETWEEN FINANCIAL REPORTING SYSTEMS OF ROMANIA AND SPAIN

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Abstract: *The main objective of this paper is to perform a comparative study regarding the theory and practice of financial statements in Romania and Spain. To achieve this goal, we performed a documentary research of the main papers of this area and of the applicable accounting regulations from Romania and Spain, research that allowed us to identify convergences and divergences about financial statements in both countries. The main conclusion of this study is that, while Romania experiences improving its financial reporting system by conformism, respectively by assigning through legislation forms adapted to European accounting regulations, Spain chooses a flexible development, trying to realize a complete presentation of the accounting information published in the annual financial statements.*

Key words: *accounting, financial reporting, Romania, Spain.*

1. Introduction

In times when information means more than ever, we need it to be fair, intelligible and complete. This need transforms financial statements in the main instrument which makes a company well known between the economic actors, and accounting the main provider of real information which presents a fair image of the financial position and performance of economic entities.

Internationally, there have always been differences of normalization in the accounting field. Basically, there are two types of accounting systems: the Anglo-Saxon one, based on common law, with low impact of taxation, using financial reporting, and the Continental one, based on Roman law, with a big taxation

influence on financial reporting system [1]. In the first one, the accounting rules are developed by private professional agencies, the financial statements are basic and investors become the main users of accounting information. The second one, supposes a public normalization process and points out the importance of the general chart of accounts [2].

Both, Romania and Spain are part of the Continental block and both organize their accounting activity using a chart of accounts and in accordance with accounting regulations.

It is important to mention that the Romanian accounting system and the Spanish one are about strongly influenced by the French accounting doctrine, including the charts of accounts of this countries were inspired by the French one [3].

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The institution allowed to regulate accounting in Romania is the Ministry of Public Finance and the main law in this area is Ministry of Public Finance Order no. 3055/2009, *Accounting regulations compliant to European directives*. There is also an Accounting Law no. 82/1991, republished, and other orders issued by the Ministry of Public Finance.

In Spain, the institution allowed to settle accounting is the Ministry of Finance and Public Administration (Ministerio de Hacienda y Administraciones Públicas) and the main laws are the General Chart of Accounts (Plan General Contable) approved by Royal Decree no. 1514/2007 and the General Chart of Accounts for Small and Medium-sized Enterprises (Plan General Contable de Pequeñas y Medianas Empresas) approved by Royal Decree no. 1515/2007.

Other accounting laws from this country are the Commercial Code and other regulations issued by the Accounting and Auditing Institute (Instituto de Contabilidad y Auditoría de Cuentas). We can also observe that Spain doesn't have a law of accounting.

In Romania, the Ministry of Public Finance has developed several charts of accounts to respond the informational needs of users of accounting information. Thus, there are two charts of accounts for economic entities (one general and one simplified), one chart of accounts for public institutions and another for credit institutions.

According to the Ministry of Public Finance Order no. 2239/2011, *Approval of simplified accounting system*, the simplified chart of accounts can be used if an entity registered in the previous financial period both, net sales and total assets, below the RON equivalent of 35.000 Euros.

In Spain, there are only two types of chart of accounts: a general one, for all

economic entities, and another one for small and medium-sized enterprises, which can be also applied by micro-enterprises. A company can use the General Chart of Accounts for Small and Medium-sized Enterprises if it meets at least two of the following three criteria for two consecutive financial periods: total assets less than 2.850.000 Euros, net sales not exceeding 5.700.000 Euros and average number of employees during the financial year less than 50 persons. It is considered micro-enterprise a company with total assets not exceeding 1 million Euros, net sales less than 2 million Euros and had, on average, more than 10 employees during the previous financial period. This chart of accounts is optional and, if the company fulfils the conditions, it can apply it for three consecutive financial periods. It can't be used by companies that issue securities on regulated markets from European Union or by those which are part of a group of consolidated entities or by companies that have a functional currency other than the Euro or by financial entities that capture public funds [4].

For example, we'll compare the general charts of accounts for economic entities of both countries, mentioning that, in Romania and Spain, the chart of accounts has 9 classes (groups) of accounts, but there are differences in their order and content.

In Romania, the first group of accounts is allocated to the stakeholders' equity, long-term liabilities and provisions and, in Spain, it is called „Basic financing” (Financiación básica) and contains, along with items found in Romania, grants and donations (subvenciones, donaciones y ajustes por cambios de valor), received and given guarantees (pasivos por fianzas, garantías y otros conceptos a largo plazo) and what is called „Temporary financing statements” (Situaciones transitorias de financiación) which includes unpaid

subscribed capital, shares or participations issued and not yet acquired by third parties, etc.

The names of the second, third and fourth group of accounts are similar in both countries, as follows: Fixed assets – Not current assets (Activo no corriente), Inventories – Inventories (Existencias), Third parties – Creditors and debtors to commercial operations (Acreedores y deudores por operaciones comerciales). There are similarities in these groups content: in the end of each group, we find accounts reflecting adjustments for assets, inventories and receivables depreciation; another relevant similitude it's located in the 4th group and it's represented by the presence of the settlement accounts, Accrued incomes and expenses (Ingresos y gastos anticipados).

As a divergence, we can mention that, in Spain, the category of non-current assets contains accounts grouped as „Bank deposits and given long-term guarantees” (Fianzas y depósitos a largo plazo) and that, in the end of the Spanish 4th group of accounts, we find together accounts called „Adjustments for receivables depreciation and provisions for short-term debts” (Deterioro de valor de créditos comerciales y provisiones a corto plazo).

On the other hand, we observe that grants are reflected in the Romanian chart of accounts in the 4th group of accounts and, in the Spanish one, we find it, as we said before, in the first group of accounts. But we shouldn't forget that, in Romania, we used for a long time the first group of accounts to keep the evidence of grants. Regarding the 5th group of accounts, Treasury accounts – Financial accounts (Cuentas financieras), we'll mention only the differences found, because each country has something proper.

In Romania, there are letters of credit and intern transfers. In Spain, there are accounts of received guarantees, short-

term bank deposits and its settlement accounts (Fianzas y depósitos recibidos a corto plazo y ajustes por periodificación), one small group for the evidence of non-current assets held for sales (activos no corrientes mantenidos para la venta y activos y pasivos asociados) and another one called „Other non-bank accounts” (otras cuentas no bancarias) containing, for example, accounts to reflect relations with entities resulted from mergers or demergers, operations pending clarification and temporary mergers between enterprises and goods communities.

Groups 6th and 7th contain expenses and incomes accounts in both countries. Generally speaking, the structure is similar, having it classified by activities: operating activities, financial activities and extraordinary activities (in Spain, the last ones are called exceptional expenses and incomes). There are huge differences regarding the last two groups of accounts because we couldn't find any similitude.

If, in Romania, we have off-balance sheet accounts, „Opening balance sheet”, „Ending balance sheet” and management accounts, in Spain, those two last groups are reserved for expenses and incomes directly impacting the structure of equity (Gastos e ingresos imputados al patrimonio neto). These are expenses and incomes that the entity can perform and have direct impact on equity's structure.

Also, both countries organize their accounting activity based on accounting principles. In Romania, the Ministry of Public Finance Order no. 3055/2009 presents 9 accounting principles generally accepted, as follows: going concern, consistency principle, prudence concept, time period principle, separate valuation of assets and liabilities, intangibility, non-offsetting, substance over form principle and materiality.

In Spain instead, the General Chart of Accounts approved by Royal Decree no.

1514/2007, presents only 6 principles – basic hypothesis of accounting: functioning entity, accrual principle, prudence, non-offsetting, consistency/regularity and relative importance.

Thus, the principle „entidad en funcionamiento” is the equivalent of the Romanian going concern, „el devengo” responds to the idea of accrual accounting, „la uniformidad” refers to consistency principle, „la prudencia” reflects exactly the prudence principle, „la no compensación” sums up the non-offsetting and the separate valuation of assets and liabilities principles corresponding to Romanian accounting and „la importancia relativa” refers to materiality principle [5].

2. Research Methodology

This study aims to get answers to questions like: which are the financial statements in Romania and Spain, which is the content and structure of each component of the financial statements in the two states and, moreover, which are the main similarities and differences between financial reporting systems in Romania and Spain.

As a research methodology, the whole paper is based on a documentary research, developed using the following sources of information: applicable accounting regulations from Romania and Spain, 4th Directive of the European Union, international accounting referential (IAS/IFRS), relevant electronic data bases like the websites of public institutions from Romania and Spain, economic magazines from both countries and, last but not least, economic literature from Romania and Spain – books and articles.

To study the Spanish literature, we had access to the library of the Polytechnic University of Valencia (campus of Alcoy). To access the Spanish applicable

accounting regulations, we used the website of Ministry of Finance and Public Administration (<http://www.minhap.gob.es>).

This study is based on fundamental and comparative research, which allowed us to analyze and explain the particulars of the financial reporting systems from Romania and Spain.

3. Results and Discussions

In Romania, a complete set of financial statements contains: balance sheet, profit and loss account, statement of changes in equity, cash flow statement and explanatory notes.

Spain adopted similar names for the annual accounts as follows: balance sheet, profit and loss account, statement of changes in net patrimony, actual flow statement and the explanatory notes and other accounting documents cumulated as what they call „Memory” (Memoria) [6].

In Romania, accounting regulations define 3 systems of drawing and presentation of financial statements, while in Spain there are only two.

Thus, according to Ministry of Public Finance Order no. 3055/2009, the companies that, for two consecutive years, exceed the limits of two of the three size criteria (total assets – 3.650.000 Euros, net sales – 7.300.000 Euros and average number of employees during the fiscal period – 50 persons), draw the complete set of annual accounts (balance sheet, profit and loss account, statement of changes in equity, cash flow statement and explanatory notes).

The other economic entities draw abbreviated financial statements, as follows: abbreviated balance sheet, abbreviated profit and loss account and explanatory notes, the other two annual accounts from the complete set being optional. Also, the companies whose

securities are admitted to trading on a regulated market, must draw and present the five components of the financial statements, no matter what are the values of the size criteria.

According to the Ministry of Public Finance Order no. 2239/2011, *Approval of simplified accounting system*, an entity can use the simplified system of accounting if, in the previous financial period, has registered, both net sales and total assets, below the RON equivalent of 35.000 Euros.

Accounting Law no. 82/1991, republished in 2012, explains that this system supposes that the elements valuation and transactions recording are developed using a simplified chart of accounts. The simplified financial statements contain a simplified balance sheet and a simplified profit and loss account.

The Spanish general chart of accounts presents two models of annual accounts, the normal and the abbreviated. An entity must draw the first category if it's an anonymous society, a limited liability company, an association limited by shares or a cooperative society. Partnership firms and limited partnerships having, at the end of the financial period, an entity as associate must draw the normal model of the annual accounts.

Also, as in Romania, are required to draw the complete set of financial statements the following: companies whose securities are admitted to trading on a regulated market from the European Union, the ones part of a group of entities that draw consolidated annual accounts, those with functional currency different from the Euro and financial entities that capture public funds.

The companies listed above can draw abbreviated financial statements if, for two consecutive years, at the end of the financial period, meet some criteria varying by the annual account wanted to be drawn in abbreviated model. Thus, to draw an abbreviated balance sheet, an

abbreviated statement of changes in equity and abbreviated annexes, an entity must meet at least two of the following size criteria: total assets under 2.850.000 Euros, net sales less than 5.700.000 Euros and average number of employees during the financial period up to 50 individuals. If an entity draws these three abbreviated financial statements, isn't mandatory to draw the cash flow statement.

To draw abbreviated profit and loss account, a company must meet at least two of the following criteria: total assets under 11.400.000 Euros, net sales less than 22.800.000 Euros and average number of employees up to 250 persons [7].

Until 2007, in Spain, there was also a third set of financial statements, the simplified one, but, starting 2008 (year when came into effect the Royal Decree no. 1514/2007 and the Royal Decree no. 1515/2007), this was eliminated and replaced by the Chart of Accounts for Small and Medium-sized Enterprises. This chart of accounts can be applied by an entity that meets two of the criteria considered to draw an abbreviated balance sheet and by micro-enterprises [8].

The year 2007 it's a reference year regarding Spanish accounting because that was the time when there was a reform in this area, trying to reconcile the system with the European Union regulations through the law no. 16/2007, *The reform and adjustment of commercial law to the accounting area for its harmonization with the European Union regulations*. This law introduced two new financial statements: statement of changes in net patrimony and cash flow statement [9].

Regarding the balance sheet, both countries have similar views because this document provides information about a company's economic resources and its sources of financing. While in Romania, the balance sheet reflects an entity's financial position, in Spain, the same

document presents the patrimony's situation at a time.

The Romanian accounting regulations require the list format for drawing the balance sheet which contains in its structure two financial indicators with great informational resonance: working capital and need of working [10].

In Spain, the accounting law proposes a horizontal format for drawing the balance sheet.

The main difference regarding this document between the two countries lies in the view given to its components. While, in Romania, the financial position is reflected through assets, liabilities and equity, in Spain, the situation of the patrimony at a time is shaped using elements like assets (*Activo*), liabilities (*Pasivo*) and equity called „Net patrimony” (*Patrimonio neto*). The meaning of these three words is identical in Romania and Spain, having the same definitions in Romanian and Spanish economic books, evidence that both financial reporting systems are in accordance with international accounting regulations.

We can observe the Spanish preference for the concept of „patrimony” (as the sum of the elements composing an entity), term abandoned in Romania years ago.

Also, another important thing to mention is that Spanish accounting uses the concept of „passive” (liabilities) in its limited meaning referring to all debts and obligations and, not broadly, like in Romania, to refer to total liabilities and equity.

We want to highlight the flexibility that Spanish accounting regulations give to the Spanish accountant, not imposing a particular form to draw the balance sheet, but suggesting a structure to follow, structure that can be changed eliminating lines of elements which registered null value in a financial period.

An important difference is represented by the format chosen for the balance sheet: while, in Romania, it's required the list format, in Spain the balance sheet is drawn as a two pages table, one to reflect the assets and another one for liabilities (passives) and „net patrimony”.

We'll now pay attention to the order chosen to display the components of balance sheet in both countries.

In Romania, we have 10 main elements ordered with capital letters from A to J. In Spain, using the horizontal format, are presented five main categories of elements: non-current assets, current assets, net patrimony, non-current liabilities and current liabilities.

While in Romania there are three structures which compose the assets (fixed assets, current assets and accrued expenses), in Spain, there are only two (non-current assets and current assets), ordered, as in Romanian accounting, in the reverse order of their liquidity.

A divergence regarding the elements order it's represented by the position of the accrued expenses: in Romania, these are considered a different line displayed after all assets and, in Spain, they are part of the current assets, positioned before cash and cash equivalents. Concerning the concepts and the content lines used to draw a balance sheet, we can point three essential aspects.

First, we observed the Spanish preference for classifying assets using the current – non-current criterion, as recommended by IAS 1, *Presentation of Financial Statements*. The definitions of current assets or non-current assets are similar with the ones presented in IAS 1 [11].

Second, we notice an item in addition to the minimum list of items composing a statement of financial position recommended by IAS 1: the first element of current assets reflects the fixed assets held for sale.

Third, we remarked a distinct presentation of receivables regarding deferred tax as a final component of non-current assets. This option to highlight deferred tax assets represents another link to international accounting regulations (IAS 12, *Income taxes*).

We also mention the preference for a detailed presentation of the financial fixed assets including real investments, long-term investments in entities part of a group and associated and long-term financial investments.

Regarding the order of displaying the elements of equity (net patrimony) and liabilities in the two countries, we noticed that the order is reversed: while, in Romania, it starts from short-term liabilities (after the assets), followed by long-term liabilities, provisions, accrued incomes and, in the end of the balance sheet, the equity, in Spain we have first the shareholder's equity and then the non-current liabilities and the current liabilities. Another important aspect that must be mentioned is the different view offered to the accrued incomes and provisions: in Romania, both are treated separately in lines H and I and, in Spain, they are part of the liabilities (provisions are placed among the top elements from current and non-current liabilities and the accrued incomes represent the last component of current liabilities).

We observe that, just like in case of assets, Spain chooses the current – non-current criterion to classify the liabilities, based on IAS 1 recommendations. These terms definitions follow closely the ones presented in this international accounting standard [12].

Also, the liabilities are presented in the balance sheet in their chargeability order. In Spain, the net patrimony's elements contain received grants and donations (as part of corporate equity), option justified perhaps by placing them in the first group

of the chart of accounts (Basic financing), unlike Romania, where grants and donations are listed in the fourth group of accounts and appear in the balance sheet as part of the accrued incomes.

The profit and loss account is drawn and published to reflect the financial performance of an entity. Both, Romania and Spain chose the list format for this document.

National accounting regulations mention the need to classify incomes and expenses by activities as follows: operating incomes and expenses, financial incomes and expenses and extraordinary incomes and expenses. The main difference between the two countries regarding this accounting document lies in the treatment of the extraordinary elements.

In Romania, there are separated lines to reflect these elements, unlike in Spain where the whole statement is divided into two important categories: continuing operations and discontinued operations. In section A, continuing operations, the return of the year is divided into two activities, obtaining the operating result and the financial one. The sequence of presentation of operating incomes and expenses or financial ones is similar in the two documents (the Romanian and the Spanish one).

The form of the Romanian profit and loss account allows the calculation of the following indicators: operating result, financial result, current result, extraordinary result, gross result and net result. Comparing the two documents, we noticed that, in Spain, they aren't summing the operating incomes and expenses or the financial ones, but they are calculating directly the results by activities. More specifically, they calculate an operating result, a financial one, but not a current one like in Romania, option justified by the previous mentioned division of the statement. At the end of the first type of operations, there is a gross result obtained

by summing the operating result and the financial one, aspect that allows us to associate this result with the Romanian current one.

The cash flow statement is an accounting document that provides information that helps to evaluate the economic entity's capacity to generate cash and cash equivalents and explains how the entity uses these funds.

National accounting regulations are totally taking over the aspects regarding this document from IAS 7, *Statement of cash flows*. In Romania, this financial statement must be drawn by companies that exceed the limits of two of the three size criteria specified by the Ministry of Public Finance Order no. 3055/2009 and by those who, independently of the size criteria, have securities admitted to trading on regulated markets from the European Union. For other companies, drawing and presenting a cash flow statement is optional.

The situation is similar in Spain because all companies in this country must draw this summary accounting document, except those that draw abbreviated annual accounts, small and medium sized enterprises and micro-enterprises for which the preparation and presentation of this statement is optional. Spain has also inspired from IAS 7 to design its national regulations regarding the cash flow statement. The form proposed by the General Chart of Accounts is similar to the Romanian one.

We also find the division of cash flows by activities: operating activities, investments activities and financing activities. An important divergence lies in the method chosen to calculate the cash flows. While Romania allows the calculation of the operating cash flow using either the direct method or the indirect one, Spain imposes a form in which this indicator is obtained using the

indirect method, starting from the annual net result which is subject to adjustments.

This Spanish option can be perhaps explained by the calculation's simplicity that involves the indirect method of determining the operating cash flow.

The other cash flows are calculated in both countries using the direct method, respectively by subtracting from the gross receipts, the gross payments involved by each activity in the financial period. Another difference between these two financial reporting systems is that Spanish cash flow statement considers the influence of the exchange rate variations before analyzing the growth or reduction of the annual cash flow.

The statement of changes in equity is a complementary statement of the balance sheet and profit and loss account which details the changes occurred in equity's structure in a financial period.

In Romania, to draw this document, it's necessarily to present the initial situation of equity's elements, increases and decreases registered during the financial period and their situation at the end of this period. All of that happens according to a structure model proposed by the Ministry of Public Finance Order no. 3055/2009 in order to draw and present this financial statement with the others.

In Spain, this piece of the complete set of financial statements is more complex, presenting more details about any type of influence on equity's structure. While, in Romania, it's presented only the evolution of each component of equity, in Spain, it all starts with the idea that there are a lot of factors influencing these components. Thus, economic operations that impact the structure of equity, qualitatively and quantitatively, are the following: return of the year, changes of values of various components of assets or liabilities (which generate incomes or expenses with direct impact on equity), transactions with

owners (on both contributions and distributions of funds), changes in accounting policies and errors corrections from previous financial periods.

Starting from the possibility given by IAS 1 regarding the statement of changes in equity, the possibility of drawing, either a statement that reflects all the changes in equity, or a statement that presents changes in equity other than those coming from transactions with owners [14], Spain chooses the more complex model.

Thus, this summary accounting document is represented by two different statements conceived to reflect the influence of each factor mentioned previously: Statement of recognized incomes and expenses and Statement of all changes in net patrimony. The first one isn't mandatory for small and medium sized enterprises and reflects changes in equity due to the influence of the return of the year and to the incomes and expenses with direct impact on equity [15].

The second is the one similar to the Romanian statement of changes in equity and reflects changes coming from transactions with owners, changes in accounting policies and errors corrections from previous periods. The resemblance lies in the fact that this document presents the evolution of each component of equity, from its initial situation, showing increases and decreases occurred, and finishing with its situation at the end of the financial period [16].

We also noticed a particularity which is that this component of the statement of changes in net patrimony presents the information comparatively, but between the current financial period and two immediately preceding periods.

It's interesting that, while in Romania, the statement of changes in equity must be drawn and presented only by companies that exceed the limits of two of the three size criteria specified by national

accounting regulations and by those whose securities are admitted to trading on regulated markets from E.U., in Spain, is mandatory for all companies to present this financial statement, whether they draw normal or abbreviated annual accounts; the small and medium-sized enterprises must draw only the second document of the statement of changes in net patrimony.

The explanatory notes are drawn by an entity in order to provide a fair view of its assets, liabilities, financial performance and, where appropriate, of changes in equity and of cash flows.

In Romania, according to the Ministry of Public Finance Order no. 3055/2009, it must be drawn 10 explanatory notes presented systematically and containing information about: accounting regulations and policies respected in drawing the financial statements, significant elements from financial statements, the entity and its relationships with affiliated entities.

In Spain, according to the General Chart of Accounts, it must be presented only one cumulative document called "Memory" ("Memoria"), which brings together 25 notes. Even if Spain chooses detailing, under any aspect, the information from other financial statements, it doesn't allow providing accounting information by calculating some financial indicators. Unlike Spain, Romania included in the 10 explanatory notes, one that calculates various financial indicators and helps to appreciate an entity's activity, facilitating its comparison with the economic sector perspectives or with other entities. Therefore, there are differences between the financial reporting systems of the two countries regarding also the drawing of the explanatory notes.

4. Conclusions

From the research conducted, we identified a number of convergences and

divergences between the financial reporting systems of Romania and Spain. Thus, as regards the accounting regulations set, we noticed the absence of an Accounting Law in Spain.

As a convergence between the two countries regarding the content of the chart of accounts, we could point out that there are 9 groups of accounts, the first seven being similar.

The main divergence is represented by the non-existence, in Spain, of special accounts, off-balance sheet accounts and management accounts.

In terms of general accepted accounting principles, we're facing a divergence: in Romania, accounting regulations define 9 accounting principles, and in Spain, accounting rules specify a number of 6 accounting principles which include assumptions within those in Romania, evidence that both countries accounting regulations are in compliance with European accounting directives.

Concerning the content and structure of financial statements in Romania and Spain, we found a number of convergences. A complete set of financial statements includes in both countries five components as follows: balance sheet, profit and loss account, statement of changes in equity, cash flow statement and explanatory notes.

A first divergence is about the systems of drawing and presentation of financial statements: in Romania, there are 3 sets of financial statements (developed, abbreviated and simplified), and, in Spain, there are only two (normal and abbreviated).

The divergence is continued through the delimitation of the entities that draw a model or another of financial statements, delimitation made in accordance with the same three size criteria, but with different thresholds. The gap is widening by the fact that, while, in Romania, there is a set of simplified financial statements, in Spain,

this doesn't exist since 2007, when there was a major reform in accounting and it was introduced the General Chart of Accounts for Small and Medium-sized Enterprises.

Another important aspect is that, while, in Romania, the Ministry of Public Finance imposes a form to complete with financial period amounts, in Spain, the structure of financial statements is presented in the accounting regulations and, if an element records zero value in the reference period, its line can be eliminated by the professional accountant.

Regarding the balance sheet, the divergence starts from the concepts used in the contents of this document.

In Spain, the equity is called net patrimony and, for debts, it's used the limited meaning of the concept of "liability" (passive).

Another difference lies in the format of the balance sheet which, in Romania, is the list one and allows the calculation of financial indicators like working capital and need of working, and, in Spain, is the horizontal one.

The order of disposition of the assets is reversed liquidity in both states, but it's different regarding the equity and liabilities: while, in Romania, are first placed short-term liabilities, then long-term ones and equity, in Spain, it's first presented the net patrimony, and then the two categories of liabilities, in their reverse order of chargeability.

Moreover, in the balance sheet structure, we observe the Spanish option to classify, both assets and liabilities, after the current – non-current criterion as recommended by IAS 1, *Presentation of financial statements*. Also, unlike Romania, this country has an item in addition from the minimum list of items composing the financial position statement required by IAS 1: in the category of current assets, there is a distinct line to reflect fixed assets

held for sale and, in the category of net patrimony are included the subsidies.

Another divergence refers to the placement of accrued expenses, provisions and accrued incomes: while, in Romania, those are treated separately in the balance sheet, in Spain, are included in the five main categories (non-current assets, current assets, net patrimony, non-current liabilities and current liabilities).

Another content aspect that may be considered a difference and links again to the accounting referential IASB, is the presentation, in separate lines, of deferred tax assets and liabilities. The observed compliance with IAS 12, *Income taxes*, supports the compliance of Spanish accounting laws with European accounting directives and international accounting standards.

Regarding the profit and loss account, we noticed that the format chosen to present this summary accounting document is the list in both countries. There is a classification of activities in operating activity and financial one, leading to the calculation of operating result and financial result.

We could emphasize however a difference concerning the treatment of extraordinary activity. In Romania, this means the calculation of an extraordinary result which is part of the gross result, but, in Spain, the return of the year is obtained summing the result from continuing operations and the one came from discontinued operations.

As regards the cash flow statement, having the same reference, respectively IAS 7, *Statement of cash flows*, there are no big differences between the two countries.

We mention that, in Romania, the Ministry of Public Finance Order no. 3055/2009 offers the possibility to choose between the direct or indirect method used to calculate the net operating cash flow,

but, in Spain, the format presented by the General Chart of Accounts uses only the indirect method.

The Statement of changes in equity presents many divergences, both in relation with format and in terms of entities that must draw this document.

Thus, in Spain, this statement consists of two separate documents – Statement of recognized incomes and expenses and Statement of all changes in net patrimony – enabling professional accountant to reveal any type of influence on equity's components.

While, in Romania, this statement is an element of the complete set of annual accounts and, therefore, must be drawn when a company exceeds the limits of two of the three size criteria, in Spain, the second document of this statement is mandatory to draw for all the companies and the first one by other entities that aren't small and medium-sized enterprises.

Concerning the explanatory notes, we noticed also divergences between the two countries.

First of all, in Romania, there are 10 explanatory notes presented individually along with the other financial statements, while, in Spain, there are 25 notes presented in a cumulative document called Memory (*Memoria*).

In Romania, one explanatory note is used to calculate financial indicators that help to appreciate an entity's activity. On the other hand, Spain chooses to use the notes for detailing any other components of financial statements.

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