

PARTICULARITIES OF ACCOUNTING REGULATORY PROCESS IN SEVERAL EASTERN EUROPEAN AND FORMER SOVIET UNION COUNTRIES

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Abstract: After the break up of the Soviet Union in 1992, Russia and other former soviet members were forced into changing their planned economic system into a viable market economy. In such a market economy the means of production are mainly privately owned, the state creates the general legal framework in which economic activities take place, and these activities are supposed to respond to market forces. The respective transition obviously has important consequences on accounting - which used to be State's instrument of economic administration and it nowadays became an instrument at the disposal of the business community.

Our study is a descriptive and explorative research about the accounting regulatory process in the sample countries. The main goal of our analysis is to find out which are the significant changes in accounting regulations and identify the particularities of the regulatory process.

Key words: accounting, EE countries, IAS/IFRS, DAS

Introduction

Over the last years, considering the multilateral and rapid development of international economic cooperation, free capital flows and multinationals' activities – all of these actively sustaining the growing role of international accounting harmonization and international accounting standards in the national accounting systems - a special attention was given to research on accounting regulatory process. Keeping in mind above all that this issue has not been investigated sufficiently in the specialized scientific literature; we have selected carefully the topic of the present research. Several times researchers had been encouraged by the interest of financial statements' users and preparers in analyzing only the standards with less consideration to the dynamics of the process itself - which implies new standards' elaboration and existing standards' improvement. Such approach is incoherent and it oversimplifies the accounting regulatory process. It is impossible to judge upon the necessity or relevance of standard setting, if there is no understanding of the historical accounting traditions/conditions of a particular state, cultural determinants, business environment and other factors influencing regulatory process.

We consider that only by identifying the reasons that lie behind standards' elaboration and improvement, the particularities of this process and the evolution over the years, it is possible to draw conclusions on a consistent pattern of accounting regulatory development and point out its future trends.

Our paper is structured as follows. The next section consists in a review of the main literature works conducted in the last decade, highlighting the relevant issues of accounting regulation changes in several Eastern European and former Soviet Union countries (referred to as sample countries from now on). Within this section, based on the literature analysis, it is also discussed briefly how the organizational change theory and the phased approach can be used to analyze the accounting changes within a specific country. In the third section, the authors state the research topic and describe the research methodology concerning the present paper. The subsequent two sections refer to the accounting regulatory process in the sample countries, by presenting firstly the theoretical aspects of the regulatory process as well as the factors influencing the respective process; secondly, the development and implementation of Domestic Accounting Standards (DAS) in accordance with IAS/IFRS. The last section includes concluding remarks on the study.

Literature review

The study of the accounting regulations in Eastern Europe, and especially in the former Soviet Union, is a rather new research area, which has evolved during the last decade after the fall of communism. Earlier research done by Seal (1995: 659) viewed the post-communist countries „as a bloc” with common problems and challenges. However, as expressed by Roberts (2002: 9), there are not two countries with identical accounting systems. In a similar manner, Bailey (1998: 1462) estimates the Central and Eastern European countries as heterogeneous ones, finding themselves at different stages of conversion from the commanded economy. During the last decade, a number of papers have been dedicated to the practice and development of accounting in the Eastern and Central European countries. Several publications (Kosmala-MacLulich, 2003; Strouhal, 2007; Jindrikovska, 2007; King, 2001) address the subject of financial accounting and auditing in Poland, Czech Republic, Hungary, Romania, Slovenia and other CEE countries but fewer publications refer to countries like Ukraine, Moldova or Russia, (Enthoven, 1998; Bailey, 1982; Richard, 1998). Preobragenskaya and McGee (2003) did research on the relationship between IAS and foreign direct investments (FDI) in Russia and on the state of auditing.

In general, these publications can be broadly divided into three groups. The first set of papers describes the development of a particular country’s accounting system in general terms. In majority, these investigations indicate state-of-the-art-type studies, are mostly descriptive in character and not use any strong theoretical framework (Bailey, 1995; Alver, 1998). The second set is dedicated to particular issues that are analyzed based on a certain theoretical framework, in the context of an individual country. For example, the true and fair view concept (Sucher, 1996; Kosmala-MacLulich, 2003), organizational aspects of the accounting reform (Seal, 1995), the relationship between accounting and taxation (Jaruga, 1996; Holeckova, 1996). In the third group, the works have a comprehensive and comparative character, analyzing various aspects of accounting development in several transitional countries (Bailey, 1995, 1998; Parker and Nobes, 2002). These sets of investigations on different countries of Eastern Europe provide a framework for analysis and exemplify some of the issues encountered when accounting practices are developed which may be relevant for evaluating the sample countries experience in our study.

Previous research analyzed the accounting system’s changes in different EE countries using the theories of organization and organizational change as theoretical framework for their investigation (Laughlin and Gray, 1988; Laughlin, 1991; Seal, 1995), while others concerning the transitional countries suggested application of a phased approach to the accounting reform (Bailey, 1998; Seal, 1995; King, 2001; Haldma, 2003).

Our methodological approach

When doing research there are two ways of gathering and processing data: quantitative and qualitative research. Quantitative research is commonly used for statistical purposes where there are many measurable data presented. The nature of the data is easily validated and can be presented numerically (Lundahl & Skarvad, 1992). Qualitative research could be described as research for “soft” data, which means that data is not easily presented in diagrams and figures and answers the questions “how?” and “why?” rather than “how many?” (Merriam, 1992).

Andersen (1998:18) describes several different goals of a research with a deeper involvement for each step: descriptive, explorative/problem-identifying, explanatory/understanding, diagnostic, problem-solving/normative and intervention-oriented.

Our research subject is the accounting regulatory process and how it is reflected in theory and practice. As pointed out in the introductory section, the aim of this paper is to describe the accounting regulatory process and its particularities as a consequence of IAS/IFRS implementation in the sample countries. This study will qualify as *descriptive research* since the main goal is to describe an issue rather than to interpret it. Furthermore, it is also *explorative or problem-identifying* research and because of its relative novelty may represent a good basis for further studies in the same area of research.

Since we depict the accounting regulations in the sample countries we believe that our study belongs, as we pointed out above, to the descriptive research field that has the purpose “*to document the phenomenon of interest*” (Remnyi et. al., 1998). Miles and Huberman (2000:10) describe a qualitative analysis as three flows of activity, namely:

- data reduction,

- data display and
- conclusion drawing/verification.

In our study we rely on secondary and not on primary data. This is in accordance to Arbnor and Bjerke (1997) who argue that in descriptive studies it is useful only to use existing secondary data. When writing about secondary data we refer to Howard and Sharp (1983), who define secondary data as information that were already collected by others and published in some form. In our case, we used books, previous research reports, articles and homepages as main secondary resources.

Theoretical aspects of accounting regulatory process

As the comparative analysis of literary sources shows, there is no consensus among the researchers on the types of accounting regulatory processes. Most of the scientists underline the concepts of accounting standardization and harmonization, but forego to define these concepts, confining themselves only to establish the differences among them. For example, Radebaugh and Gray point out that harmonization has more flexible approach than standardization, which aims unification. On his turn, Nobes defines harmonization as the creation of coherent, still not obligatory, standardized accounting practices. According to him, this is the way to achieve the general information's commensuration. Russian scientist Stukov connects the concept "harmonization" directly to the modalities of potential development of European continental accounting, which historically bases itself on German accounting tradition; but refers "standardization" to the process of IAS/IFRS elaboration and application, which still is greatly influenced by the Anglo-Saxon accounting practices. Arpan defines harmonization in a very picturesque way: "feasible, yet slow and wandering process".

Accounting regulatory process is not just a mechanical process, which is expressed as a compilation of existing accounting methods. This is creative work, being under influence of a multitude of factors. None of the accounting theoreticians denies this thesis; still complete consensus has not been reached yet about the factors range. Without any doubt, accounting regulation is an integral part of national accounting system. However, in the same time, there are factors, which define accounting regulation do not touch other aspects of accounting system.

After, studying ample literary sources, the authors concluded that the most important factors influencing accounting regulatory process are as follows:

- legislative and taxation system;
- business financing sources and international corporate activities;
- professional accounting organizations;
- accounting doctrine;
- economical and cultural factors;
- involvement of the national, regional and international institutions;
- inflation.

Accounting regulations in the sample countries

The accounting regulations enforced by the transition countries during 1991-1996 contributed their integration into the international accounting environment. Therefore, among other improvements that took place in accounting, during the transition period, the main priority was represented by the financial accounting. This approach was justified, as it was foremost necessary to guarantee that all national companies are able to prepare their financial statements in compliance with national accounting regulations and the generally accepted accounting principles. However, it is evident, that both accounting as a whole and financial as well as management accounting in EE transition economies underwent revolutionary changes in the first half of the 1990s. The main problem was how to build a forward-looking and flexible accounting regulatory system, which would enable to surpass the transition-related difficulties and to integrate into the European accounting framework.

Table 1. Sample of countries

Russia	Ukraine	Moldova	Georgia	Kazakhstan
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The traditional system (see Table 2) based on accounting laws would have been too inflexible to reflect the rapid changes in transition circumstances. Nevertheless, Van Hulle (1993: 390) expressed the idea that the use of the law as a means of standard setting can also be seen as an interesting mechanism against too frequent and sometimes unnecessary changes. But this was not the case of our sample countries, because of the lack of a stable and effective accounting regulatory system.

On the other hand, breaking free from a central planned accounting regime had caused a spread of accounting disharmony among the former socialist countries. Our sample countries based their legislations on Codified Roman Law principles. Therefore, one of the first priorities was to set up an accounting regulatory system based on accounting laws. The enforcement related data of the new accounting legislations in the sample countries are listed in Table 2.

Table 2. Accounting regulations in the sample countries

Country	Enforcement year	Accounting regulation
Russia	1996	Law on Accounting
Ukraine	1993	Law of Ukraine on Accounting and Reporting (Accounting Law) Law of Ukraine on Auditing Activity (Auditing Law)
Moldova	1995	Accounting Law Auditing Law
Georgia	1999 Supplemented in 2005	Law on the Regulation of Accounting and Financial Reporting (Accounting Law) Draft Law on accounting and Audit
Kazakstan	1995 recently amended – February 2007	Law on Accounting and Financial Reporting (Accounting Law) Law on Audit Activity

(Source: www.iasb.org.uk; *European Accounting Guide, 1995*)

Professional accounting bodies

As previous research reveals: in all CEE countries there are professional accounting organizations reestablished after the collapse of the communist regime and which are more or less involved in the accounting regulatory process (Bogdan, Cristea, 2008). This is also the case of all the sample countries. We have to underline that these countries also have an institution functioning as regulatory body (Ministry of Finance / Ministry of Justice) and an Accounting Council or Board.

Table 3. Regulatory and professional accounting bodies in the sample countries

Country	Law on companies	Regulatory body	Professional accounting and auditing bodies
Russia	Companies Act (1995)	Ministry of Finance	Audit Chamber of Russia Institute of Professional Auditors (IPAR) Moscow Chamber of Auditors National Federation of Consultants and Auditors (NFKA) Russian Collegium of Auditors Association of Accountants & Auditors of the Commonwealth

Ukraine	Law of Ukraine on Companies (1991)	Ministry of Finance Accounting Methodology Board	Chamber of Auditors Union of Auditors Ukrainian Federation of Professional Accountants and Auditors (UFPAA)
Moldova	Joint-Stock Company Law -1996	Ministry of Finance Division of Accounting Methodology and Audit	The Association of Professional Accountants and Auditors (ACAP) Association of Auditing Firms of Moldova (AFAM)
Georgia	Law on Entrepreneurs	Ministry of Justice Accounting Commission and Audit Council	Georgian Federation of Professional Accountants and Auditors (GFPA)
Kazakhstan	Law on Joint-Stock Companies	Ministry of Finance	Chamber of Auditors of the Republic of Kazakhstan (COA) Chamber of Professional Accountants and Auditors (CPAA) Collegium of Auditors Union of Accountants and Auditors of Kazakhstan

Development of DASs in the sample countries

The purpose of the current paragraph is to present the status of DASs development in the sample countries, underline the role of MoF and/or of the national standard setter and to refer shortly to the main particularities of the national accounting environment.

Thus, **Moldavian Accounting and Auditing Standards (NAS and NSA)** are issued by a Division of the Ministry of Finance mostly through translation of IAS/IFRS and ISA. Article 9 of the Law on Accounting states that „the Ministry of Finance shall develop the methodology of accounting, unified chart of accounts, samples of accounting registers, forms of financial reports, methodological instructions for their completion, as well as accounting standards, compulsory for entities, required to keep accounting books.” The preparation of the standards is carried out by the Division of Accounting Methodology and Audit, which consists of twelve permanent working staff of the MoF with Civil servant status. The Division of Accounting Methodology and Audit issued the existing NAS and NSA respectively between 1996 and 1998 and in 1999-2000 for the most part, with the support of international donors, mainly USAID. According Article 13 of the Accounting Law, a so-called Methodological Consultative Council under the MoF is in charge of „reviewing and development of proposals on disputable issues regarding accounting and financial reporting.”

Moldova’s NAS have been initially developed on the basis of IAS, but they have not been extended or updated for a number of years. None of the changes made to previously adopted IAS are reflected, and later IFRS have no equivalent in Moldova. The MoF has issued „Comments on the application of NAS” for a number of standards in order to provide guidance on how standards should be used in specific circumstances considering theoretical examples. In the absence of a NAS on important matters that can involve material amounts - and because the level of disclosure under NAS is less demanding than under IAS/IFRS - the financial information prepared under the NAS is incomplete, if not inaccurate in certain cases.

An important aspect is that the *MoF has developed a specific accounting standard for small and medium enterprises*, which is useful for bookkeeping but needs some simplification and does not provide SMEs with a clear financial reporting framework. NAS 4 *Accounting by Small Business Entities* was developed pursuant to Article 14 of the Accounting Law in order to provide a set of „principles of accounting, preparation of accounting registers and financial statements” adapted to SMEs’ less complex transactions and resources. It includes an indicative chart of accounts that limits the types of entries to a few basic categories of assets, liabilities, equity, revenues and expenses, as well as certain off-balance sheet items. Financial statements prepared in accordance with NAS 4 are defined as follows: „balance sheet, income statement, annex to the financial statements and explanatory notes” (NAS 4, paragraph 42). However, no definition is given of the content of those notes, or which of the disclosures required by NAS 5 *Presentation of Financial Statements*, can be omitted or adapted. Moreover, NAS 4 does not set out any principles for the recognition of transactions and for assets and liabilities’ measurement.

As we pointed out previously in our study, accounting in **Kazakhstan** is generally governed by the provisions of the Law on Accounting and Financial Reporting. This Law was amended quite recently on February 28, 2007. Under the new Law, individual entrepreneurs using a special taxation regime in accordance with taxation legislation do not have to keep books and compile financial reports. The other categories of SMEs are required to report using **KAS**, developed on the basis of IAS/IFRS. A more simplified KAS will be developed for subjects of small entrepreneurship such as those who prepare simplified taxation declarations. The new Law does not restrict SMEs from choosing to apply IFRS. The recently amended Accounting Law requires that all public interest entities and large businesses prepare their financial statements in accordance with IFRS. Thus a certain part of the accounting and financial reporting standards applicable in Kazakhstan are set by the IASB. *The Ministry of Finance is responsible for the development and approval of the national accounting and financial reporting standard - KAS.*

The ROSC team conducted a compliance gap analysis, which shows that while there is a generalized belief that IAS/IFRS and KAS (for large enterprises and financial sector) are broadly aligned, the gap is quite significant. There are significant differences between the accounting policies used and disclosures made under KAS and those which would be required under IFRS. This suggests that the differences between KAS and IAS/IFRS are bigger than claimed. The following examples highlight the most significant differences between KAS and IAS/IFRS and their likely impact on the financial statements of *public interest entities*:

- The carrying value of property, plant and equipment (PPE) under KAS differs significantly from that under IAS/IFRS. There is no requirement in KAS similar to IAS 29 Financial Reporting in Hyperinflationary Economies, to apply adjustments to non-monetary assets and liabilities. Companies revalued PPE using „capital assets coefficient cost increases determined by the State Committee of Kazakhstan on Statistics and Analysis”.
- Impairment of assets (PPE) may not be recognized. There is no equivalent to IAS 36 Impairment of Assets, in KAS, which may lead to the overstatement of PPE.
- Recognition and measurement of financial instruments. There is no equivalent of IAS 39 Financial instruments: Recognition and Measurement, and also there is no concept of financial instrument or fair value measurement in KAS. The measurement principle under KAS 8 Accounting for Financial Investments may significantly mislead users of financial statements and raises significant concerns about the stewardship of the lender.
- Provisions for employment benefits may be understated. KAS do not have a standard similar to IAS 19 Employee Benefits.
- Provisions for legal or constructive obligations may be understated. There is no standard similar to IAS 37 Provisions, Contingent Liabilities and Contingent Assets, though contingent liabilities and contingent assets are briefly addressed in KAS 27 Unpredicted Items and Subsequent Events.
- Deferred tax liabilities may be under or over-stated. KAS 11 Accounting for Income Tax, on accounting for deferred tax is based on the original version of IAS 12 Income Taxes, and does not include recent IAS revisions.
- KAS do not include any provision similar to those of IAS 41 Agriculture. Agricultural enterprises apply a transaction-based, historical cost accounting model, so do not report any

income until the sale of the product. Bookkeeping is done in accordance with the Model Chart of Accounts and Methodical Recommendations developed by the Ministry of Finance and costs incurred as a result of agricultural activities are initially posted to a „temporary manufacturing account” and subsequently transferred to „inventories of finished goods” at harvest and „cost of goods sold on eventual sale”.

Since **Ukraine** gained its independence, two major developments occurred with respect to the accounting standards: (i) the development of National Bank of Ukraine (NBU) accounting rules, and (ii) the development of **Ukrainian Accounting Standards**. While the legislation suggests that these standards are consistent with IAS, a review of the existing standards made by the ROSC team in 2002 highlights a couple of interesting points:

- *NBU accounting rules* – developed by the National Bank of Ukraine in cooperation with various contributor agencies – are fairly consistent with IAS. However, a large number of differences remain.
- *Ukrainian Accounting Standards* produce financial statements that are intended principally to meet the information needs of the tax authorities. For instance, UAS 7 Tangible Assets allows the use of tax depreciation methods (among other methods) that may not reflect the pattern in which the asset’s economic benefits are consumed by the enterprise. Preparers of such financial statements tend to use tax methods where permitted, and do not give much attention to the quality of information that does not directly affect tax computation. UAS financial statements differ materially from IAS/IFRS financial statements.

As we noted above, there are significant differences between UAS and IAS/IFRS. Thus, many of the IAS/IFRS requirements do not exist in national accounting. Some significant differences between UAS and IAS are found in the World Bank ROSC Accounting and Auditing in Ukraine (2002, 15 August), described below:

- *UAS do not appear to embrace the comparability attribute*. Comparability is necessary for users to evaluate the financial statements of an enterprise over time to identify trends in its financial position and performance. Certain changes in accounting policies were required by the adoption of a new or revised UAS.
- *The Accounting Law sets out that the going concern is a principle rather than an assumption (IAS)*. Nevertheless, this positioning is specific to countries with European-continental accounting model. Under such circumstances, it is not clear whether an enterprise should prepare its financial statements in the event that circumstances indicate it may not operate based on going concern.
- *The Ukrainian disclosure requirements are very limited in comparison with IAS/IFRS*. Some major existing differences may mislead a reader who is not well informed about UAS. For example, sales are reported in the income statement inclusive of value-added tax (UAS 3 *Income Statement*) and there are limited disclosure requirements.
- *There is not yet a requirement, as in IAS/IFRS, to identify reportable (business or geographical) segments*. There is also no requirement to disclose detailed information on the reportable segment’s revenue, results, assets and liabilities.
- *Ukrainian disclosure requirements on related-party transactions are not as detailed as those of IAS/IFRS*.

The following issues in accounting standard-setting process in Ukraine should be underlined:

- In spite of the efforts made by the Accounting Methodology Board, a gap exists between local requirements and IAS. AMB resources are not sufficient to keep up with the ongoing changes and adjustments to IAS/IFRS.
- The AMB’s standard-setting process is slow and gradual.
- While UAS and the existing accounting standard-setting process play a significant role for SMEs, they fall short of the expectations and needs of financial statements’ users when it comes to banks, insurance companies, listed companies, and any other appropriate public interest entities.

On the other hand, in **Georgia** there has been ambiguity in the legal framework as to what accounting standards actually applied in the corporate sector. The ambiguity results from potentially conflicting requirements and lack of clarity as to what standards have legal backing:

- The Law on Entrepreneurs sets out simplified financial reporting requirements for small enterprises, defined as enterprises employing less than 20 employees with an annual turnover not exceeding GEL 500.000 (approximately US \$ 279.000);
- However, the Law on the Regulation of Accounting and Financial Reporting dated February 5, 1999 states that all legal entities, except small enterprises, are required to prepare financial statements in conformity with IAS and temporary accounting standards. The Accounting Law was supplemented in 2005 by two Regulations of the Accounting Commission as follows:
- Regulation no. 9, dated April 5, 2005 enacted „simplified (temporary) accounting standards” for small enterprises;
- Regulation no. 11, dated April 6, 2005 adopted IAS/IFRS issued by IASB in 2004 as the standards applicable in Georgia.

It has to be noticed that the proposed draft Law on Accounting and Audit had clarified the financial reporting requirements for Georgian companies. Thus, under the draft Law, banks, insurance companies, stock and commodity exchanges, issuers of securities and investment institutions must apply IFRS and all other private entities can apply either IFRS or domestic standards. There are no exemptions for „small enterprises”. It is worth mentioning that there are two main processes involved in setting accounting standards in Georgia: (i) the translation of IAS/IFRS, and (ii) the development and adoption of „temporary accounting standards” applicable to those entities not required by Law to use IFRS. Both processes are currently overseen by the Accounting Commission.

The GFPAA has developed a reduced set of accounting standards, which have been approved by the Accounting Commission and adopted by the Ministry of Justice. These „*temporary accounting standards*” for small companies are derived from IFRS and exclude the IFRS provisions that the GFPAA deemed irrelevant for small companies. The GFPAA has also developed a further reduced set of standards for use by non-profit legal enterprises. The draft Law adopts these standards for entities that do not have an auditing obligation. Both of these sets of reduced standards are seen as temporary in anticipation of Accounting Standards for SMEs, which are being developed by IASB. The Accounting Commission intends to adopt the IASB SME standards once these can be translated.

The GFPAA also develops and publishes user guides in Georgian for IFRS and for both sets of temporary accounting standards. These guides are comprehensive and are similar in length to the published translations of IAS/IFRS and the set of reduced standards. While Georgian legislation, including the proposed draft Law, recognizes IFRS or IFRS-based requirements as the applicable financial reporting standards, late and poor translation of the standards is overridden by regulators, leading to „standard gap” differences between Georgian accounting requirements and „full IFRS”. As the World Bank’s Accounting and Auditing ROSC emphasizes the general perception that - with the exception of banks - the financial statements in Georgia are of low quality.

Conversely, all companies in **Russia** are required to keep accounting records in order to provide complete and reliable information on business activity for external and internal users. There are some alternative accounting requirements for small companies. Thus, small companies may have simplified accounting records and present simplified accounts. Current accounting regulations are based on the Law on Accounting (1996), Russian Accounting Standards and various regulations of the Ministry of Finance.

The Russian government has been implementing a program to harmonize its domestic accounting standards with IAS/IFRS since 1998. The Ministry of Finance developed Russian Accounting Standards, which aimed to correspond as far as possible to IAS/IFRS. Despite these efforts essential differences between DAS and IFRS remain. Since 2004 all commercial banks are obliged to prepare financial statements in accordance with both DAS and IFRS. Full transition to IFRS is delayed and is expected to take place starting from 2011.

Table 4. Russian Accounting Standards vs. IAS/IFRS

Russian Accounting Standards	IAS/IFRS
Accounting policy of an organization	IAS 8

Registration of construction contracts	IAS 11
Accounting for assets and liabilities whose value is denominated in a foreign currency	IAS 21
Financial statements of an enterprise	IAS 1
Accounting for inventories	IAS 2
Recording of the fixed assets	IAS 16
Post balance sheet events	IAS 10
Economic contingencies	IAS 37
Income of an enterprise	IAS 18
Expenses of an enterprise	No equivalent
Accounting information on the affiliated persons	No equivalent
Segment information	IFRS 8
Recording of state assistance	IAS 20
Recording of non-material assets	IAS 38
Accounting for loans, credits and the related service costs	IAS 23
Information on discontinuing operations	IFRS 5
Research & development cost accounting	No equivalent
Accounting for tax profit calculations	IAS 12
Accounting of financial investments	IAS 32, IAS 39, IFRS 7
Interests in joint ventures	IAS 31

Another point that could be made about Russia's adoption of IAS/IFRS is that even the standards that have been adopted may not always represent the current original version. For example, the Russian standard on income taxes is based on the old version of the IAS income tax standard, not the new one. This fact is acknowledged within the Russian accounting community but it may not be well-known outside Russia.

Another less known fact about DAS is that the Russian versions of the standards that have been adopted are not mere translations from the English language. In many cases these are abbreviated, simplified versions of the original English IAS/IFRS. RAS tend to be much shorter, more detailed and conceptual. They usually cover only a fraction of IAS/IFRS content. In short, it may not be accurate to state that Russia has adopted IAS/IFRS. It would be more eloquent to say that RAS are simply based on IAS/IFRS. Often the differences between RAS and IAS/IFRS are not large or important. However, the difference may be substantial, such as in the area of accrual principles.

But not all Russian enterprises that are trying to attract foreign capital are using IAS/IFRS. Some of them are using US GAAP. One of the deciding factors when selecting which set of internationally recognized financial reporting standards to use has much to do with the preferred capital market where to get listed in the future. If they are targeting the US capital market, they often decide to use US GAAP. Those who decide to tap into the European capital market often choose IAS/IFRS.

Conclusions

First - as results from previous research conducted by other authors and the present study - there is no driving force of the accounting reform in the sample countries, from an organizational perspective. No organization wants to protect both accounting and the public interest. The pressure to reform the accounting in the sample countries is coming from the market. Enterprises that want to raise capital, either by debt or equity financing, need to prepare financial statements according to IAS/IFRS. Potential investors demand it. That is the reason that causes the change, not government bureaucracy.

Also, as an outcome of our attempt to review the main particularities of the accounting regulatory process in the sample countries, there are certain preliminary conclusions to be stated:

- accounting is part of the legislative system in all the sample countries;
- there are professional accounting bodies in all the sample countries;
- in some of the sample countries (Ukraine, Moldova, Georgia) beside the professional bodies there is a Council or a Board involved in the standard setting process;
- in almost all the sample countries except Georgia, beside the Law On Accounting and specific regulations, there are DASs applicable in practice;
- similar to the CEE countries (Bogdan, Cristea, 2008) we recognize a tendency to assimilate the IAS/IFRS in each sample country's accounting regulations.

The stated conclusions are to be considered only preliminary; as we intend to develop a more comprehensive and extensive research on this topic in the nearest future. Nevertheless, it is worth mentioning that one valid conclusion of our present research is that the convergence towards IAS/IFRS has to be accomplished by valuing the particularities of domestic accounting doctrine.

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