ON FISCALITY AND FINANCIAL AUDIT

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Abstract: *This paper is an at tempt to correlate fiscal problems with financial reporting accounting regulations, a correlation regarded in terms of financial audit. The subject of the present paper is an interdisciplinary one and it requires the understanding of three types of regulations, namely: fiscal regulations (The Fiscal Code), national and international accounting regulations (the accounting law, including the adjustments to date carried out through the Order of the Ministry of Public Finance 1286/2012and the International Accounting Standards – IAS), the International Financial Reporting Standards (IFRS)and the regulations of the National Securities Commission regarding the reporting concerning the financial statements of the entities quoted on the regulated securities market.*
The purpose of the paper is to synthetize the most important aspects of the financial reporting procedures in the conditions of applying for the first timeof the regulations contained in the International Financial Reporting Standards and the emphasis of the main procedure problems generated by the reporting process.
The main source of the synthesis of the problems suggested comes from the synthesis of information and results of the audit activity of such financial statements and their comparison with the regulations in the field and the experience presented in the literature in the field.
The result of the regulations' compliance with the new procedures needed in the reporting process for the first time in the IFRS conditions is capitalized in procedures defined by the national legislation and by IFRS, necessary for the compatibility of financial information for the public entities and, in the same time, procedures adjusted for the auditing of such financial statements.
The implications of settling out such procedures target the practical activity of preparing, publishing and auditing financial statements.
In what follows, the author is trying to synthetize the problems in a procedural manner and to solve these correlations in a procedural manner necessary for the first steps in the application of the IFRS and, also, the author made his own financial statement auditing procedures of such patrimonial entities.

Keywords: *taxation, accounting, reporting standards, financial position;*

JEL classification: *H30, G18;*

Content: Together with the introduction of accounting regulations in compliance with the international financial reporting standards, applicable to business companies whose securities values are allowed for transactions on a regulated market, fiscality poses new problems for this entity's audit of financial statements.
Generally considered, there are two new problems which should be solved for fiscalityaudit within these patrimonial entities: the reflection in the Statement of Comprehensive Income of the financial result of the financial year and the problems of the deferred income tax, each of these with their own derivatives in the context of this vision on the firm's financial position, in accordance with the financial reporting financial standards.
The Romanian accounting referential, at the level of the Order of Ministry of Public Finance3055/2009, was aligned with the Fourth Directive of European Economic Community, but through the regulations contained in the Order of Ministry of Public Finance 881/2012 and Order of Ministry of Public Finance 1286/2012, the accounting regulations are in accordance with the provisions of International Financial Reporting Standards (IFRS), which, in their turn, for application, need to comply with the provisions of certain International Accounting Standards (IAS).
The preparation of the Statement of Comprehensive Income of the financial year and the calculation of the deferred income tax computation are two things requiring another vision on the approval of the result by the economic processes. Namely, the transitionto this level of reporting is necessary for the ensurance of a common comparison denominator at the international level for the readers of published financial statements, prospective investors or shareholders of the entity
The recording of the results of the restatement, the re-classificationof some patrimony events and the emphasis of value differences in different statements will influence differently the comprehensive income of the financial year through equity accounts or result accounts.
The determination of the deferred income tax provides another horizon regarding the projection of future results, using the re-evaluated value and fair value rule in order to postpone the taxation of differences in value until these assets or liabilities are carried forward.
The Order of Ministry of Public Finance1286/2012 ensures the adjustment of the national accounting legislation to the Reporting requirements in accordance with IFRS. The International Financial Reporting Standards (IFRS) represent the standards adopted in accordance with the procedures stipulated by the Regulation (EC) No1606/2002 of the European Parliament and of the Council of 19 July 2002 as regards the implementing of international accounting standards.

In this context, the entities whose securities are quoted on a regulated market, both those making up the individual financial statements and the groups making up consolidated financial statements. According to Article 8 of the Regulation mentioned above, it will lay down financial statements "by the restatement of account sheld in the Accounting RegulationsFourthDirectivetotheEuropean Economic Community, approved by the Order of Ministry ofPublic FinanceNo 3055/2009 for approval of the Accounting Regulations compliantwith European Directives, as amended and supplemented.....Inviewof the financial statementspreparation, the entities applyIFRS, including IFRS, including theIFRS 1 – First Application ofInternational Financial ReportingStandards, part of the annual financial statements concluded on 31.12.2012, it will includeappropriate information corresponding to the end of the previous financial reportingyear and the beginning of the yearprior tothe reporting year.Also, thestatement of comprehensive incomewill includetwo columnsof information, corresponding to currentfinancial yearandprevious financial yearofreporting.” (1)

In fact, the entities which will report for the first time financial statements compliant with IFRS, starting with the financial year of

(1) Art.8, paragraphs1and 2 of the Order of Ministry of Public Finance No 1286/2012.

2012, will present the comparative restated financial statements for the financial year of 2011, too, reporting containing also the data regarding the beginning of the financial year, meaning, the end of 2010, following several procedures:

a)The most important procedure in the process is preparing the opening balance sheetre statement. This operation involves comparing the balance sheetitems in the balance sheet prepared in accordance with national regulations(Order of the Ministry of Public Finance 3055/2009), with the provisions of IFRS 1.

b) An other procedureis to adjust the existing accounting policies to IFRS. Thus,in this context, the new policy will reflect the restrictions of international standards, in fact every group of assets and will be evaluated in accordance with IFRS.

c) Following the adjustment of the accounting policies, the assets and the liabilities will be classified intwomain groups, current and non-current, in accordance with IAS1, generally, and other standard such asIAS 20applicable togrants, IAS 12applicable to the deferred tax, IAS 37,for provisions, IAS38 for intangible assets, IAS 40 for property investments and other accounting standards.

d)Adjusting the information to the IFRS1 requirements, namely the requirements of this standardinvolve the application of the so-calledman datory exceptions and certain optional exceptions. Mandatory exceptions actually target thea ccounting principles that willbe continued, includingtheir mention in accounting policies. These policies are needed to ensure comparability of information, information which will have to be presented according to the estimates previous to the reprocessing operation.

The optional exceptionsrefer to the retrospective application of IFRS to ensure the comparability of information in financial statements of 2011 and 2010. In this context, theentity canchoose between measuring the assets and liabilities a thistorical costor alternatives todaya djusted values, such as the following types of securities, fair value, re-evaluated value,values determined in the period considered at special event ssuch asstock exchange transactions, privatization or other types of trading.

e)Preparation of the opening balance sheet for the year2012 based on the re-classification of assets and liabilities, recognition and non-recognition of others,according to IFRS1 and adjustment of the amounts of assets and liabilities according to the new accounting policies adapted.

f)The preparation of financial statement in accordance with IFRS for the end of 2012 in the structure stipulated in internationa financial reporting standards, namely, the preparation of the Statement of financial position, of the Statement of comprehensive income, of the Statement of changes in equity, of the Cash flows and Notes on accounting policies applied.

These reporting statements for 2012 are in accordance with IFRS and consistent with the information presented on regulated securities markets internationally and with the information to be presented in the Financial statements for the year 2 013, the first of IFRS application.

The second biggest problem posed by the transition to reporting according to IFRS is the tax one, namely the deferred tax calculation.

The deferred tax targets the imposing of the result and brings a new philosophy related to sanctioning the result by the economic processes, namely the question, when to certify the value changes in the profit of some assets or liabilities. Namely, IAS12 sets the rules of the Anglo-Saxon accounting systems that the result must be correlated to carry out the asset or the liability considered. Pending its value differences will be recorded as a deferred tax, in fact a provisioning of a future liability, but which to be identified in order to provide some accurate information on the patrimony of the entity, entirely, up to date and in the near future.

The deferred taxis determined on temporary value differences(up to their achievement), between the book value and their taxation base.

The procedures required for the restatementarising from the transition toreporting according to IFRS have highlight edseveral issues regarding the value adjustments and then the deferred imposing of value differences. The value changes will be reflected in the capital accountsbya new account introduced by the Result reported after restatement, and some such as intangibles which will affect related the goodwill. Applying IFRS requiresthe records, since 2013, of differences in value for the assets and liquidliabilities on the result of the period of the period, other wise as the national accounting referential also stated before the adoption of national accounting in accordance with IFRS rules.

The two problems related to the adjustment of the information presentedin the Annual financial statements and on those regarding referred income tax are completed by the need to adjust the procedures for auditing the financial statements, given that they are required to be audited, both as individual financial statements and asconsolidated financial statements and afferent to groups of companies.

The Order of the Ministry of Finance No 1286/2012 provides in Article 6 that"the individual financial statements prepared by the entitiesunder IFRS accounting regulationsmake the subject of statutory audit and the consolidated financial statements in accordance with IFRS, prepared by the entities as parent companies." (2)

The audit procedures fort he restatement operation target the financial statements for the years 2010, 2011 and 2012 and they require an analytical approachinvolving the restatement procedures.

Conclusion: The paper presented summarizes three problems to be solved procedurally for the transition to financial reporting compliant to IFRS by the entities whose securities are listed on a regulated market, namely, the reprocessing stages, the determination of deferred tax and the auditing of the restated statements.

Bibliography:

1. International Financial Reporting Standards -2012;
2. International Accounting Standards -2012;
3. Order of the Ministry of Public Finance No 3055/2012;
4.Order of the Ministry of Public Finance No 881/2012;
5.Accounting Law No 82/1991, republished;
6. Law No 297/2004, regarding the capital market;

(2)-art.6,paragraphs1 and 2 of the Order of the Ministry of Public Finance No 1286/2012