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E. Barbu, N. Farcane, A. Popa

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The Case of Romania during the 20<sup>th</sup> Century

**BARBU Elena M.**

**FARCANE Nicoleta**

**POPA Adina**



Unité Mixte de Recherche CNRS / Université Pierre Mendès France Grenoble 2  
150 rue de la Chimie – BP 47 – 38040 GRENOBLE cedex 9  
Tél. : 04 76 63 53 81 Fax : 04 76 54 60 68



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**BARBU Elena M.<sup>1</sup>**

**FARCANE Nicoleta<sup>2</sup>**

**POPA Adina<sup>3</sup>**

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<sup>1</sup> Associate Professor – CERAG CNRS 5820 – IAE d’Grenoble, Elena.Barbu@upmf-grenoble.fr.

<sup>2</sup> Professor West University of Timișoara, nicoletafarcane@yahoo.fr.

<sup>3</sup> Lecturer University of Reșița, popaasa@yahoo.com.

# **Looking for an Accounting Identity. The Case of Romania during the 20<sup>th</sup> Century**

## **Abstract**

This article aims to provide a longitudinal presentation of developments in Romanian accounting during the 20th century and to propose a neo-institutional explanation of this evolution.

The historical research methodology employed here is complex. We use a constructive research philosophy, an inductive research approach, a mixture of research types (narrative, oral and interpretative histories), content analysis as our research method and four types of data collection (archives, secondary data, observations and interviews). The interpretative analysis is based on the neo-institutional theoretical framework.

The study identifies a “home-grown”, normative influence in Romanian accounting practices during the first 50 years of the twentieth century, a coercive one, imposed until 1989, by a centralized communist system, and from 1989 to the present, a mixed isomorphism oriented around French, European and International accounting systems. Lacking a period of introspection, the authors feel that there is little hope that Romanian accounting will re-discover its unique culture, or will manage to build upon or improve its indigenous base in the current international context.

## **Keywords**

Accounting, Historical approach, Neo-institutionalism, XXth century, Romania.

## **Introduction**

Throughout its history, Romania has defended itself against foreign invasions from the Habsburg, Tsarist and especially Ottoman Empires, this as a result of its location in the North of the Balkan Peninsula, a place where many conquest roads came together. By the 15<sup>th</sup> century, the Ottomans had already conquered the whole Balkan Peninsula in their desire to increase the empire. By the 17<sup>th</sup> century, they arrived in Vienna, having crossed Romania. The Habsburg Empire also extended towards southeast Europe, passing through Romania as well. The Tsarist Empire intended to conquer the Bosphorus Strait and Constantinople, and Romania was on the path and in its way. Many battles took place in Romania, including those between Austria and Russia on one hand, and against the Ottoman Empire on the other hand. These conflicts resulted in irrecoverable devastation and loss, population displacements and bitter territory amputations.

All these events impeded the country's evolution. The peace treaties of 1919-1920 in Neuilly, Saint Germain, Trianon and Paris that established new European territorial realities opened Romania's way towards development. Universal suffrage introduced in 1918, the radical reform of 1921 and the new democratic Constitution of 1923 also created conditions for quick development. In the 1930s, Romania was the second largest petroleum producer in Europe and the seventh in the world, with revenues per inhabitant close to that of France and higher than that of Greece or Portugal. These changes influenced Romanian accounting and served as a transformational motor as Romania tried to switch to a "real" accounting system at the beginning of the 20<sup>th</sup> century from its prior system that represented accounting at the end of the 19<sup>th</sup> century. The rise to power of the communist regime in the 1950s and the anti-communist revolution of 1989 further transformed the economy and the Romanian mentality with important repercussions on its accounting system.

There is very little material in English language academic journals regarding accounting history in Romania. Most papers are cross sectional studies related to a specific year or to a short period of time. The aim of our article is to provide a longitudinal presentation of Romanian accounting during the 20<sup>th</sup> century and to propose an explanation for this evolution. For this, we use a historical research methodology. Our interpretative analysis is based on the theoretical neo-institutional framework with an objective of observing the normative, coercive and mimetic forces effecting Romanian accounting during the last century.

The contribution of this article, vis-à-vis previous literature, is to discern the impact of these same forces in Romanian accounting over the last century.

The study is divided into two parts, each containing three sections. The first part presents the research framework: the study's position within the existing literature (1.1), the methodology (1.2.) and the theoretical framework used in our study (1.3). The second part represents the historical and neo-institutional analysis, divided into three chronological stages: prior to 1950, a capitalistic period before the arrival of the communist regime (2.1); from 1950 to 1989, under the communist dictatorship (2.2); and after 1990, the post-revolutionary period and the search for a Romanian accounting identity (2.3).

## **1. Research framework: literature, methodology and research framework**

The research framework consists of three elements. First, we identify the Romanian and Anglo-Saxon literature, and we show the contribution this article makes to the international literature. In order to address our research topic we use a historical methodology which is presented in the second part of this section. Afterwards, findings are interpreted using the theoretical neo-institutional framework, in order to observe the institutional influences in correlation with the significant historical events faced by Romanian accounting.

1.1.

### 1.1. Literature: a scarcity of material in international reviews

After identifying articles published in major English language accounting journals and numerous Romanian sources of information, we outline the contribution of this article to international research.

#### *1.1.1. International studies*

Only six articles published in English language academic journals study the history of accounting in Romania, and they generally refer to short periods of time. McClure (1983) provides a general picture of the Romanian accounting system at the beginning of the 1980s. He highlights the particularities of centralized accounting by observing the different types of organizations subject to accounting rules, the types of organizations receiving reports, reports that must be filed, the theoretical basis of accounting and accounting methods in use. Richard (1995) and Dutia (1995) observe the restructuring of the accounting system in the five years after abolition of the communist regime, in 1990 and 1995 respectively. Richard (1995) also makes a comparison with Russia. The situation in the last years of the second millennium is also described by Darmant (1999) who refers to the Romanian accounting trend as one moving towards a system able to face the requirements of financial markets. King, Beattie and

Cristescu (2001) analyze the chronological period from 1996 to 1999 and make comparisons with accounting evolutions in other developing countries.

Baker and Barbu (2007) review articles published in major English language journals during the period from 1965 through 2004 in order to trace thematic and methodological trends in accounting harmonization, but they do not identify any articles related to accounting harmonization in Romania. We have tried to observe studies after this period, have enlarged the scope to include French research, and we have managed to identify two studies that discuss the implementation of IAS/IFRS in Romania. Barbu (2002) presents an empirical study of 100 Romanian companies and 100 French groups in order to explain the passage to international standards and to identify problems and costs associated with implementation. Ionașcu *et al.*, (2007) identifies and evaluates the costs of harmonizing Romanian accounting with international regulations (EU Directives and IAS/IFRS) from the vantage point of a wider cost–benefit analysis and presents a recent history of Romanian accounting regulations from the early 1990s till 2007.

Isolated studies refer to Romania’s situation at the beginning of the 21<sup>st</sup> century. These have been presented at Francophone and/or European accounting congresses, but have not been published in international journals. Thus, the international literature concerning accounting in Romania is very limited.

### *1.1.2. Romanian studies*

Our quasi-exhaustive literature reviews did, however, help us identify several research studies published in national journals and books.

#### *National journals*

The first Romanian journal addressing accounting issues, “Revista Generala de Comerț și Contabilitate” (RGCC - “General Magazine for Commerce and Accounting”) appeared in 1908. It contains vehement debates by Romanian accounting specialists and contributed to creating the foundation of the Romanian accounting culture. The journal still exists today, under the name “Contabilitatea, Expertiza și Auditul Afacerilor” (2000-2009; CEAA - “Accounting, Expertise and Business Auditing”) and is considered the leading professional accounting journal in Romania.

Other journals consisting mainly of general descriptive articles on accounting theories and practices were: “Revista Generală de Comerț și Contabilitate” (1908-1916 and 1922 – 1947; RGCC - “General Review of Commerce and Accounting”); “Revista Generală de

Contabilitate și Expertiză” (1996-1997; RGCE - “General Review of Accounting and Expertise”); “Buletinul contabililor” (1937-1955; BC, - “Accountants Bulletin”); “Evidența contabilă” (1956-1969; EC - “Accounting Evidence”); “Revista de contabilitate” (1970-1989; RC - “Accounting Review”); “Expertiză contabilă” (1993-1995; EXC - “Accounting Expertise”); “Contabilitate și expertiză” (1998-1999; CE - “Accounting and Expertise”). The Ministry of Finance published a journal oriented more toward finance and accounting legislation. It was first named: “Revista Finanțe, Credit, Contabilitate” (1990-1999; RFCC - “Finance, Credit and Accounting Review”) and was later re-titled “Revista Finanțe Publice și Contabilitate” (2000-2009; RFPC - “Public Finance and Accounting Review”).

### *National books*

The first Romanian author preoccupied by the evolution of accounting was Voinea (1932) who presented the evolution of accounting in Romania, Italy, France and Germany. His book represents an analysis of accounting evolution from the rudimentary beginnings of graphical annotations to the consolidation of the double-entry bookkeeping system.

Demetrescu (1947, 1972) wrote two important books: one about accounting literature in Romania, and the second about Romanian accounting history. In his second book, he followed an evolutionist path: accounting in the slavery period, accounting under feudalism, then under capitalism, concluding with an analysis of the main aspects of contemporary accounting.

Rusu et al., (1991) published a synthesis of research projects concerning Romanian accounting history undertaken by various authors and published up to 1990.

Ramil (1995) published a book about traditions and achievements in the Romanian economic accounting culture during the 19th and 20th centuries. Feleagă (1996) and Feleagă and Ionașcu (1998) analysed historical Romanian trends by studying company archives. Ionașcu (1997) devoted an important part of his work to Romanian accounting history, discussing the identity of Romanian accounting thinking. Calu (2005) treated the development of Romanian accounting and Dobroțeanu (2005) addressed the genesis and future of accounting.

The articles published in the certified public accountants’ journal and the books mentioned above are all written in Romanian, which effectively restricts exterior access to knowledge concerning Romanian accountancy.

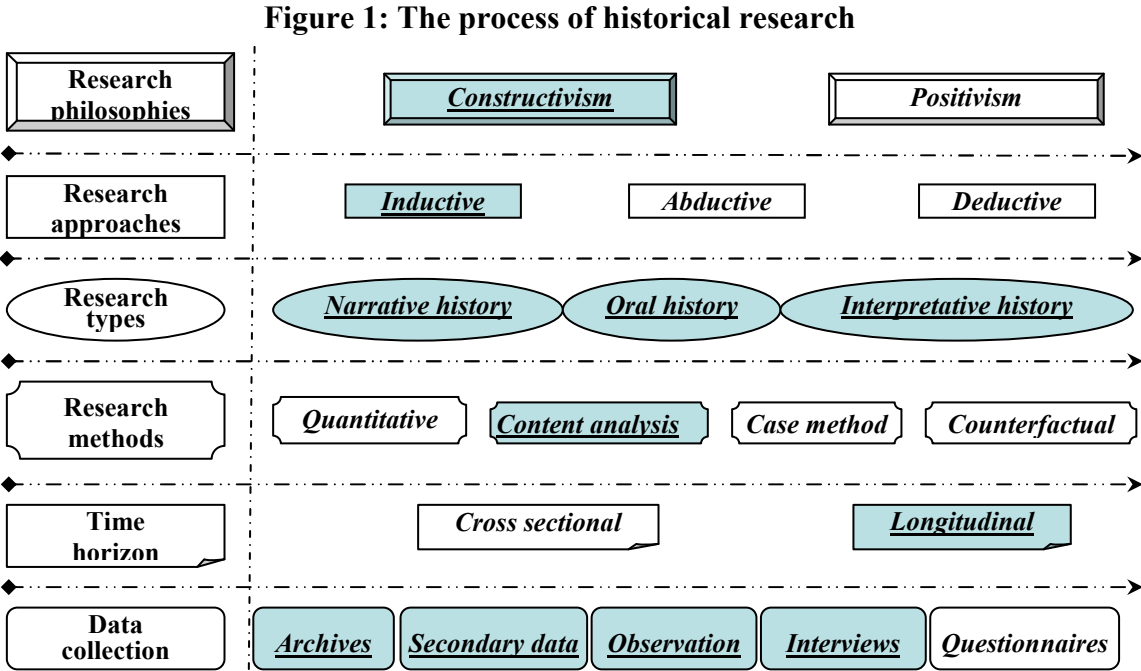
At an international level, this article tries to respond to the lack of longitudinal observations on Romanian accounting. At a national level, this study is intended to bring an



explanatory neo-institutional contribution to the evolution of accounting developments during the last century.

**1.2. Research methodology: an historical approach**

The research methodology used in historical research is a complex mix of paradigms, approaches, types, methods and horizons. Barbu (2006, p. 67) suggests a means for addressing this situation, presented below, in which the particularities of our methodological framework are highlighted.



Source: Barbu (2006, p. 67, our translation)

This article is based on a structural research philosophy and an inductive research approach. Thus, it starts with observing accountancy in Romania during the 20<sup>th</sup> century and moves toward the development of an inductive interpretative theory.

We use narrative, oral and interpretative history sources in order to observe the evolution of Romanian accounting and to interpret our results from not only our point of view but also from the perspective of other accounting specialists we interviewed. Content analysis allows us to obtain a longitudinal analysis of information for the last century.

For the early periods, we gathered our data from archives and for the more recent period from direct observations and interviews. Interviews were performed with seven distinguished

professors from the Accounting Departments of three Romanian Universities: Bucharest Academy of Economic Studies (professors Feleaga and Malciu-Feleaga), West University of Timișoara (professors Teaciuc and Epuran), Cluj "Babeș-Bolyai" University (professors Pântea and Pop) and Iași "Alexandru Ioan Cuza" University (professor Tabără). These individuals witnessed almost all of the evolutionary phases of Romanian accounting over the last century.

### **1.3. Theoretical interpretation: a neo-institutional framework**

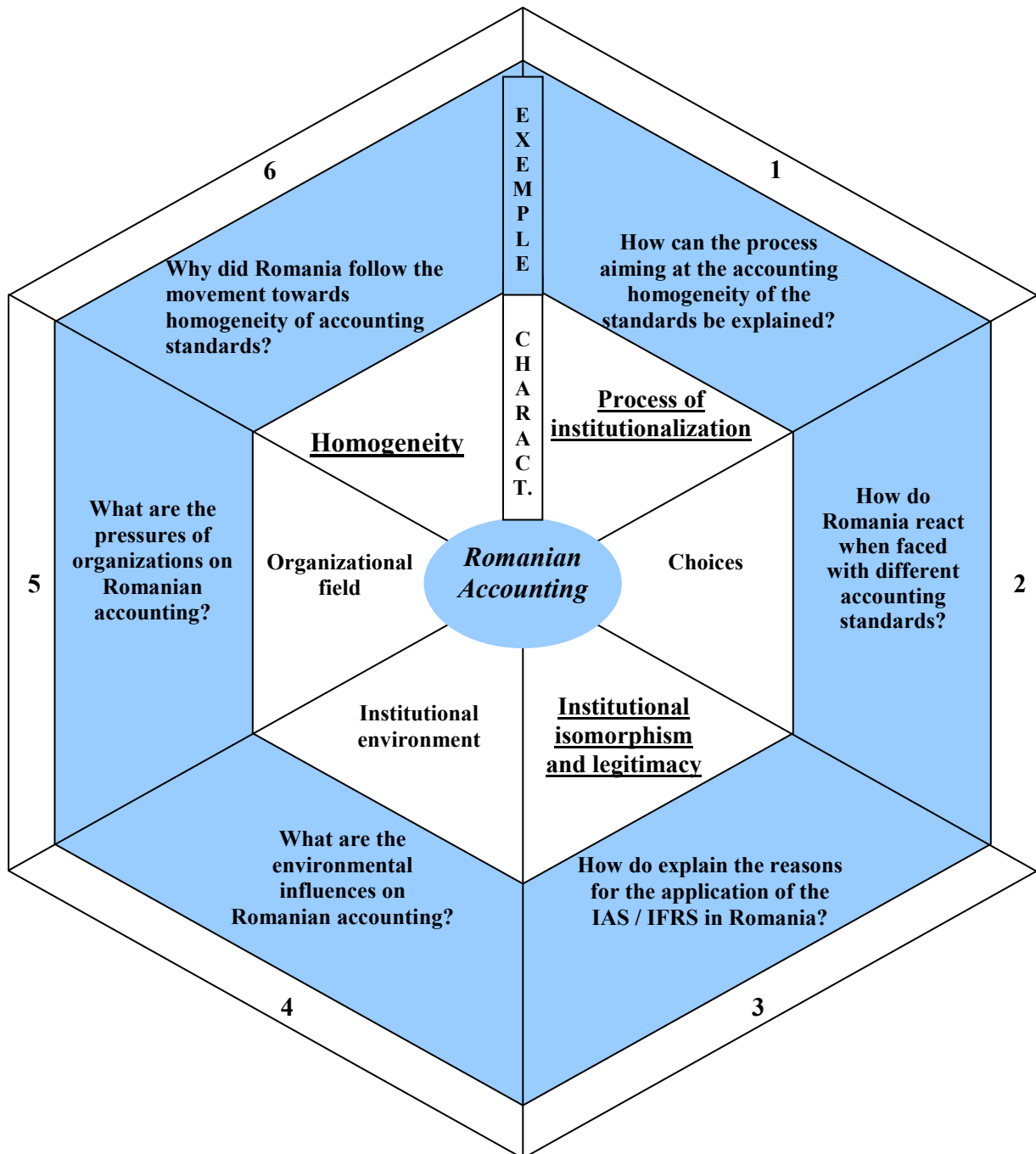
While modern organization theory explains variations in a situation, neo-institutional theory explains homogeneity. Because Romanian accounting is involved in the international accounting harmonization process that goes to homogeneity of accounting standards and practices, we use this theory to explain the evolution.

The application of this theoretical framework in accounting is very recent, dating from after 2000. Prior to that (starting in 1970 and continuing through 1990), the neo-institutional framework was created and improved in Sociology by Silverman, Meyer and Rowan, Zucker, DiMaggio and Powell, and Meyer and Scott. From 1980 to 2000, the framework was used in Sociology (Simon, Geertz, Berger and Luckman, Garfinkel) and in Economics (Coase, Williamson, North, Nelson and Winter). After 2000, it began to be used in Strategy (Gomez, Huault, Padioleau, Desreumaux), in corporate governance (Romelaer), in Human Resources (Livian), in Finance (Bessire and Onnée) and in Accounting (Lemarchand, Touron, Barbu).

The different aspects of neo-institutional theory that we have observed in the literature are: (1) a process of institutionalisation, (2) choice of actors among different possibilities, (3) institutional isomorphism and legitimacy, (4) institutional environment, (5) organisational field and (6) homogeneity. We present all these characteristics in Figure 2, in the central hexagon. In the median hexagon we provide a question as an example for each characteristic.

In our article we observe institutional pressures influencing accounting in Romania that appear to resemble those pressures influencing other accounting systems, not only locally but internationally as well. We do not use all six of the characteristics of the neo-institutional theory, we employ only three of them to explain Romanian accounting evolution: process of institutionalization (the first), institutional isomorphism and legitimacy (the third) and homogeneity (the sixth). The use of the other three characteristics could be undertaken as research that would be complementary to our present work.

**Figure 2: Characteristics of the neo-institutional theory (NIT)**



Source: Barbu (2006, p. 16, our translation and adaptation)

DiMaggio and Powell (1983) label the process through which institutions and organizations tend to adopt similar structures and practices as institutional isomorphism. Institutional isomorphism is a process that causes a particular organizational unit within a population to resemble other units in the population facing similar sets of environmental conditions. Because of isomorphic pressures, organizations become increasingly

homogeneous within given domains and conform to the expectations of the wider institutional environment.

Within the general framework of institutional theory, DiMaggio and Powell (1983) discuss the concept of institutional isomorphism and consider three types of isomorphism: coercive, normative and mimetic.

- “Coercive isomorphism results from both formal and informal pressures exerted on organizations by other organizations upon which they are dependent and by cultural expectations in the society within which organizations function” (DiMaggio and Powell, 1983, p. 150). Coercive isomorphism comes from external political influences, for example the pressure of the state or capital markets.
- Normative isomorphism stems primarily from professionalization, which is the collective effort of organization members or of an occupational group to define the conditions and methods of their work and to establish a cognitive base and legitimisation for their institutional, organizational or occupational autonomy.
- Mimetic isomorphism involves the copying of structures and practices of other organizations operating in the same environment, especially the structures and practices of institutions and organizations that are perceived as successful.

Taking into consideration these three types of isomorphism, we try to observe the evolution of Romanian accounting over the course of the 20<sup>th</sup> century. To do so we study the influence and impact of the institutional environment, pressures from the State, from the capital market and from the profession itself on this evolution.

## **2. Birth, death and resurrection of Romanian accounting identity**

Accounting in Romania has evolved under the influence of a tightly connected political, economical and business system (Farcane, 1997; Ionaşcu, 1997; Calu, 2005). The structure of the accounting system has its origins in the calculation of fortunes, evaluation of businesses and the fiscal needs of the State. Early development of commercial activities led to the appearance of accounting principles and treatments, and although these were slightly different from those used today, it is the evolution of industry that marked the beginning of Romanian accounting systems.

The major factors which determined the evolution of accounting in Romania are: the rate of industrial development, the evolution of commerce, the economical autonomy, available capital, the financing system, the system of managing enterprises, and the various

political factors (Farcane, 1997; Calu, 2005; Dobroțeanu, 2005). Taking these factors into consideration, we conduct our analysis on three periods, defined as specific stages identified in previous literature and presented in Table 1.

**Table 1: Different stages of accounting history in Romania**

<b>Authors</b>	<b>Periods</b>				
Voina (1932)	Before 1202	1202-1494	1464-1600	1600-1795	1795-1930
Rusu (1991)	Before 1837	1837-1901	1901-1948	After 1948	
Ionascu (1997)	1837-1900	1900-1947	1947-1990	After 1990	
Calu (2005)	1837-1907	1908-1948	1949-1989	1990-2000	2001-2007
Dobroțeanu (2005)	1837-1900	1900-1950	1950-1990	1990-2000	After 2000

Our periods closely resemble those of Rusu (1991), Ionascu (1997), Calu (2005) and Dobroțeanu (2005). The first period, from 1900 to 1950, corresponds to the pursuit of a national identity. The second period, from 1950 to 1990, coincides with the "slowdown" of the pursuit for a national accounting identity in the context of a planned/centralised economy. The last period, starting with the 1990s, is still in progress.

### **2.1. Before 1950: under normative isomorphism**

Although Romanian society appeared to blossom throughout the entire 19<sup>th</sup> century, this is more a façade than a reality. The sovereignty of the Romanian Principalities vis-à-vis the Ottoman Empire was a powerful obstacle in the development of a capitalist society. The basis of a modern economy was established only after the War of Independence (from 1877-1878), and was the result of the political and legislative freedoms that were obtained.

Awakening from a late feudalism at the end of the 19<sup>th</sup> century when accounting was synonymous with bookkeeping, Romania tried to learn from the great international accounting professions and to improve the quality of its accounting systems at the beginning of the 20<sup>th</sup> century.

The first accounting journal was created in 1908, allowing for dialogue between individuals interested in accounting issues. Corpul Expertilor Contabili si al Contabililor Autorizati (CECCAR - The Body of Chartered Certified Accountants and Authorised Accountants of Romania) was later created on July 18, 1921. In 1926 the first annual national accounting congress was organised by CECCAR, which, by this time was considered the pillar of the Romanian accounting profession.

The quality of CECCAR's activities, as well as the recognition of its members by international accounting forums, led to CECCAR being entrusted with the organisation of the

7<sup>th</sup> International Accounting Congress in September 1931. Representatives from Great Britain, Belgium, Brazil, Bulgaria, Switzerland, France, Germany, Greece, Italy, The Netherlands, Poland, Portugal and Spain assembled in Bucharest, after having participated in similar congresses in Brussels (1910), Charleroi (1911), Gand (1913), Luxembourg (1914), Brussels (1926) and Barcelona (1929)<sup>4</sup>. Parenthetically, it is at this time that the first legislative changes appear in Romanian accounting. Thus, starting in 1927 and evolving thereafter, Romanian banks were required to prepare balance sheets and income statements according to standardized forms.

Nineteen thirteen saw the creation of the Academy for High Commercial and Industrial Studies, which in 1930 became a university. This was the first institution of higher education in Bucharest dedicated to Economic studies. With respect to the transparency of accounting information, banks were publishing very little information, due to technical and legislative constraints. The Romanian accounting system was still shaping itself and the large banking groups influenced political decisions by wielding their economic power.

After the First World War we can speak of a true Romanian capitalist society and about a strong accounting school. Up to the Second World War the Romanian economy experienced previously unknown development, with all the accompanying imperfections: high levels of corruption (due to political influence), foreign pressures (especially from Hungary and later Germany), a rudimentary agricultural system, and industry based on extensive exploitation. The conjunction of these economic influences affected the rhythm of development of the Romanian accounting school and university-based accounting classes diversified, as the need for accounting became increasingly important at all economic levels, including in the civil service.

Another important stage in economic and accounting development was between 1933 and 1939, a period of maximum economic development between the two wars. At this time the Romanian accounting school was peopled with true visionaries, the most representative being S. Iacobescu, C.G. Demetrescu and I. Evian. For instance, Professor C.G. Demetrescu exhibited very prolific scientific activity, both during the inter-war period, and thereafter. The activities of these “titans” paved the way for their successors such as T. Ștefănescu, C. Petrescu or I.C. Panțu.

As Romanian capitalist society got stronger, there was an accompanying “explosion” of Romanian accounting research, which culminated in 1930-1940. During this period,

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<sup>4</sup> The congress dates have been published in the "General Magazine for Commerce and Accounting", August, 1931. The same journal also contains the list of participants.

debates focused on legitimizing or negating accounting's scientific status and, implicitly, on accounting theories. Closely linked with the rise of capitalist influences were "tempestuous" debates that took place regarding patrimony – as an object of accounting.

There were also some representative works, which focused on the distortion of information due to monetary depreciation. Authors suggested solutions such as asset revaluation or gold-standard-based balance sheet preparation. Both university professors and certified public accountants approached this topic from the perspective of the accounting treatment of certain economic transactions or events, but also from the perspective of conceptual aspects related to cost accounting and calculation and, implicitly, to its practical materialization.

In 1941, an accounting regulation commission was established within the Coordination Ministry. Three different and conflicting accounting ideologies were represented here. The first one – representing a patrimonial influence – led by S. Iacobescu, was marked by a chart of accounts defined according to field of activity, and the synthesis documents were standard at industry levels. The second one - reflecting economic influences – led by I. Evian, was marked by a chart of accounts based on the decimal system and applicable to all companies, irrespective of their field of activity, and annual accounts were standard at the national level. The third one – also reflecting economic influences – led by V.M. Ioachim, was marked by a chart of accounts based on the decimal system, but defined according to field of activity. The Romanian accounting system was built around reflections of various accounting specialists and enhanced by freedom of expression, the possibility of having contact with foreigners, and participation in international accounting congresses and meetings. All these elements contributed to the wealth of the Romanian system, and it experienced continuous development and improvement as a result.

Simultaneously, an important development in public accounting occurred when the double-entry accounting system became compulsory in 1929.

The above-mentioned developments were interrupted, however, by the nationalization process which resulted in the switch to a socialist economy and significant changes in accounting methods.

Accounting normalisation started in 1947 when a Permanent Council of Accounting Normalization was organised within the Ministry of Industry and Commerce. A year later the Ministry of Finance developed the Direcția Normării și Îndrumării Contabilității (Directorate of Accounting Normalization and Guidance) which was charged with developing the first

charter of accounts (Demetrescu, 1972). In the same year, a law regulating accountant functions and responsibilities was issued.

## **2.2. From 1950 to 1990: the tyranny of coercive forces**

After the 2<sup>nd</sup> World War, Europe was practically divided into two parts: Western Europe, on the one hand, and Middle and Eastern Europe on the other. These two blocks evolved very differently. Western European countries developed spectacularly from an economic point of view. They quickly became powerful entities and initiated an integration process. The communist regimes in Middle and Eastern European countries promoted centralized economies, which were not in line with the real needs of commercial enterprises. Not surprisingly, these completely different economic paths generated completely different accounting systems.

The period from 1950 to 1990 interrupted a trend which had strived to “internationalize” the Romanian accounting system as an outgrowth of the international specialization and experience of Romanian practitioners and accounting professors. Unfortunately, after 1950, the Romanian accounting school was trained in a single direction, one established by Moscow. Due to the lack of flexibility and/or options, there was no specifically Romanian accounting celebration up until the mid 1970s. The 1970s and 1980s were, however, characterized by endeavours aimed at maintaining an interest in Romanian accounting research, even from “behind the iron curtain”.

In the 1950s, Romania switched to a production-based, planned and centralised economy. This created significant changes in accountancy such as the development of an integrated accounting system used for State information purposes (where costs held the main place) and cost cutbacks and achievement of foreseen production were placed in the forefront. In this period, accounting became a form of economic evidence. Some of the most important books from this period concerned bookkeeping basics. Puchita (1956), Demetrescu (1962), Marculescu (1962), Balint (1964), Mărculescu and Puchiță (1965), Topală (1965), Rusu (1967) reduced accounting to simple bookkeeping and explained it as an instrument for controlling planned indicators.

Ionascu (1997) considers the period from 1947 to 1990 as the period of “scientific realism”, when accounting normalization became an exclusive attribute of the State. For example, in 1947, the Permanent Council for Accounting Benchmarking was created within the Ministry for Industry and Commerce. Its primary concern was to set a general chart of



accounts, applicable to the socialist industrial companies, and comprising classes and groups of accounts used in different industrial activities.

During this period the accounting profession was voiceless, as was the general population, and existed in a state of perpetual terror with the fear of being spied upon. Accounting specialists and the population alike were no longer allowed to communicate with foreign researchers, and as a result enthusiasm for research was strongly reduced. The whole accounting system became centralised and controlled by the State. The population was deluged with ideas revolving around cost cutting as means of justifying the goal of becoming a “free country” without foreign debt. Romania managed to pay all its foreign debts and, in 1989, was the only country without debts at an international level. However, Romania did not enjoy this situation for very long, and after 40 years of suffering, quickly after the 1989 anti-communist revolution, Romania was indebted.

The coercive forces that had been used to exert pressure against freedom, against the right to free speech, against investment, thinking and free action, dominated the accounting system. Concepts like effectiveness, investment, profitability, and capital markets, had been replaced with other concepts like cost cutbacks and achievement of productions as outlined in highly unrealistic communist plans and programs. Is for these reasons that after 1990, Romania found itself lacking an accounting system capable of facing modern economic realities, and as a result it tried to copy structures and practices of institutions that were perceived to be successful.

### **2.3. Since 1990: under mixed isomorphism**

After 1990 we notice an “awakening” and an opening of accounting towards universality, which represents a normal stage of reconnection to worldwide economic and accounting realities. The decline of the communist regime in Romania created a foundation for some economic changes and, as a result also for certain accounting changes. The Russian accounting system, used for almost half a century, no longer responded to the informational needs of the users of accounting information in a market economy. Therefore, lawmakers within the Ministry of Finance together with Romanian university professors sought to find solutions for normalizing the accounting system.

Several sub-periods are identifiable according to the origin of their influences, these being French, European and International.

**1990-1993** – This was a period in which the old accounting system tried to adapt to the new economic situation. It was a time during which a new accounting system inspired by the French was “configured” and popularized by Romanian university accountants. During this intermediate period that actually started in 1989, the system was astraddle between the Russian and the French accounting systems and accounting literature referred to the French system as the new accounting system. During this period, Romania tried to both revive past accounting organization traditions and to align its accounting principles and expertise with international realities. The Institute of Chartered Certified Accountants was re-established in 1992 and the Advisory College for Accounting was set up in the same year.

**1994-1996** – Law 82/1991 implemented an accounting system of French inspiration, with the implicit goal of harmonization with European Accounting Directives.

**1997-2000** – The Accounting System Development Program was initiated in Romania. The program was initiated by the Ministry of Finance together with the Institute of Chartered Accountants of Scotland and the Know How Fund for Romania, and it brought changes regarding improving and highlighting of accounting principles. The purpose of this program was to harmonize the Romanian accounting system with European Directives as well as with International Accounting Standards.

In anticipation of Romania’s EU inclusion, a deadline for harmonization was set. For Romanian legislators, the continental system represented the key. The Company Accounting System (SCI) served as an exchange and training instrument. It was a significant tool in defining a coherent accounting system with continental inspiration, one that was adapted to the European directives and harmonized with the IAS/IFRS. During this period the legislators also set up an Accounting Advisory Committee.

**2001-2005** – Amplification of accounting harmonization. Small and medium size enterprises applied former Romanian accounting regulations, and large companies gradually applied international accounting standards. According to Ordinance 94 (2001) issued by the Ministry of Finance, large companies were to gradually apply the Accounting Regulations harmonized with the 4<sup>th</sup> Directive of EEC and with the International Accounting Standards Preparing the foundation for application of international accounting standards .

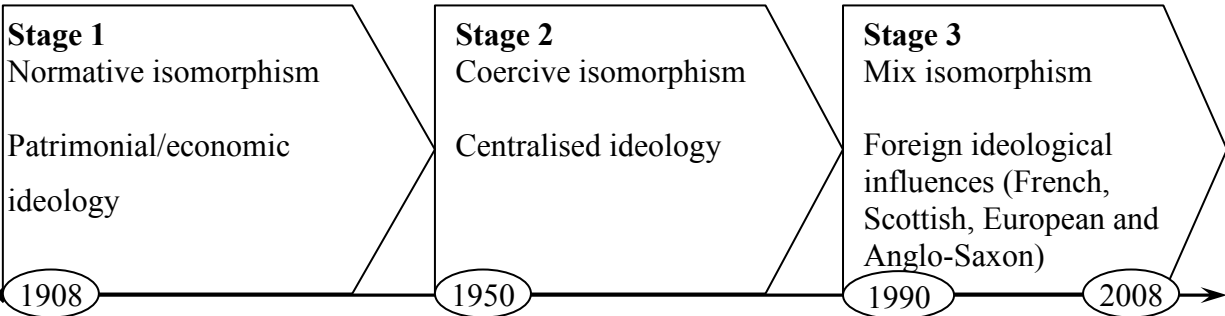
The accounting harmonization with the European Accounting Directives was extended to small and medium size enterprises, too (Finance Ministry Order 306/2002) .

**2005 to present** – After Romania’s integration in the European Union, the accounting system recorded some amendments through a regulatory document issued by the Ministry of Finance. This document stipulated widespread compliance with and application of accounting principles stemming from Directives at the European level.

DiMaggio and Powell (1983: p 152) state clearly that mimetic isomorphism ‘modelling is a response to uncertainty’. At this time Romania wanted to assure itself that its accounting system was current and relevant, and that it corresponded to the system used by other developed countries. Very strong mimetic isomorphism was observed after 1990 when not only French, but also European, and International accounting systems became models for Romanian accounting.

We propose a conclusive conceptual presentation (Figure 3), where we disclose the three periods in chronological order, as well as the institutional influences that left a strong imprint on each of the three periods.

**Figure 3: Institutional isomorphism trends in Romanian accounting**



A normative influence is identified during the first 50 years of the twentieth century, a coercive one imposed a centralized communist system until 1989, and a mix isomorphism (coercive and mimetic) oriented around French, European and International accounting systems is observed from 1989 to the present.

A more detailed presentation of accounting evolution is realized in Table 2, by observing the institutional changes over the last century including accounting legislation, accounting standards, accounting profession, training in accounting, accounting information users, accounting literature and the accounting system.

**Table 2: Institutional changes in Romanian accounting during the XX<sup>th</sup> century**

	<b>Before 1950</b>	<b>1950 - 1990</b>	<b>After 1990</b>
<b>Accounting legislation</b>	Have their sources in accounting practice needs	The Ministry of Finance has the monopoly on accounting regulation	The Ministry of Finance regulates accounting after consultation and guidance with specialists from international environment: French, Anglo-Saxon, European
<b>Accounting standards</b>	National accounting standards	Centralized national accounting standards	National accounting standards for small and medium companies IAS/IFRS for big and quoted companies
<b>Accounting profession</b>	An independent accounting profession	Ministry of Finance coordinates and controls the quality of certified accountant	Emergence of independent professional accounting association (CECCAR) and an independent financial audit body – “Camera Auditorilor Financiari din România” (CAFR - Chamber of Financial Auditors of Romania)
<b>Accounting training</b>	A qualitative accounting training inspired from west accounting Organization of world congress of accounting in Romania	Accounting training oriented to State control	Creation of accounting training programs oriented to work in a market environment and to reinforce social recognition of accountants
<b>Accounting information users</b>	Multiple users	A single user (the State)	Multiple users (shareholders, banks, fiscal authorities, investors, customers, employees, suppliers, etc.)
<b>Accounting literature</b>	Is dominated by the professional articles and less by academics articles there have been edited a few accounting books	The only existing accounting review serves Ministry of Finance as an information tool for the legislative changes The few books are powerful influenced by the Sovietic – socialist ideology	Both academic, professional and legislative oriented journals are developing A diversity of accounting books are edited
<b>Accounting system</b>	Capitalist accounting system	Centralized accounting system	Accounting system in transition to a capitalist one

In the first phase, from the beginning of the century up until the beginning of the ‘50s, Romania was in pursuit of an accounting identity with western influences. The second stage, marked by the communist regime, explains the loss of potential for finding an authentic Romanian identity: a Soviet based identity was imposed. The third phase shows how Romania once again pursued its own identity, an identity reclaimed from the communist regime after 50 years of influence and deformation by Soviet principles.

## Conclusions

Over the course of the 20<sup>th</sup> century the Romanian accounting system has experienced three major periods of evolution that have been characterised by different phases.

The period between 1900 and 1950 was characterised by the maturing of Romanian accounting thinking, and Romanian accounting was influenced by the normative forces of the profession. From 1837 until the independence of the Romanian state, the domination of the Ottoman Empire halted economic development in the country, as well as the development of the accounting system. Prior to the Great Union of all Romanian provinces into one country in 1918, economic development was based on the growth of local capital, on the major role played by industrial enterprises and by the large number of banks that strongly contributed to the evolution of the Romanian accounting system and its regulation. The Great Union was an important motor for the development of a specific Romanian economic environment, which until 1929 experienced difficulties, but none-the-less evolved, reaching its highpoint between 1933 and 1939. The most important foreign influences on the Romanian system were European, which superseded German accounting system influences. The first part of the 20<sup>th</sup> century witnessed the maturation of the Romanian Accounting System as well as a tendency toward “international thinking” owing to the international training and experiences of professional accountants and academics at that time. Scientific disputes between great Romanian scientists and accounting professors and specific events such as the establishment of the first Faculty of Economics, the establishment of the Academy of Commercial and Industrial Studies (1913), and finally the appearance of the Romanian Accounting School also strongly impacted the quality of accounting in Romania.

Between 1950 and 1990, the accounting system experienced a period of stagnation caused by Soviet domination with coercive communist influences. Nineteen forty seven marked the beginning of Soviet influence in Romania because of communist party domination and led to dramatic changes in both the economic and accounting systems. This influence on Romanian accounting extended to 1990. During the communist period, the Romanian Accounting School was directed by Moscow, and lacked flexibility and options. Coercive forces were used on the general population to limit freedoms such as the right to speak, to invest, to think or to act freely. These same forces were also brought to bear on the accounting system. Concepts like effectiveness, investment, profitability, capital markets, were replaced with other concepts such as cost cutbacks and achievement of production levels outlined in un-achievable state plans and programs. These coercive forces gradually penetrated all state

structures and permeated all levels of society with the intent to control ideas and actions. Initiatives, communication, circulation of information, sincerity, confidence and moral values, all vestiges of an earlier Romanian identity, were harshly punished. Despite the communist influence, a Romanian Accounting School did, however, timidly re-materialize in the mid 1970s.

After the 1990's, Romanian accounting once again evolved. Not only were new framing principles for an accounting system specific to a transition economy defined, but new coordinates were also designed to ensure the adjustment of the accounting system to the needs of the market economy in the context of Romania becoming a member of the European Union. After the revolution of 1989, when the communist regime was overthrown, Romania sought to assure itself that its accounting system was current and relevant, and that it corresponded to systems used by other developed countries. It is for this reason that after 1990 a mixed isomorphism combined the coercive force of the Finance Ministry with a strong mimetic force. The mimetic isomorphism is observable in the use of French, European, and International accounting systems as models for Romanian accounting. In this context of uncertainty and lost identity, Romania tried to copy structures and practices of institutions that were perceived to be successful. The period between 1990 and 2000 can be characterized by the influence of European accounting systems on Romanian accounting theory and practices, and by the adoption of the continental model of accounting.

After 2000, the Romanian accounting system broadened its theoretical foundations through the adoption of Anglo-Saxon accounting theories and practices. This Anglo-Saxon influence resulted from support offered by Scottish accounting professionals to the Romanian accounting body in charge of accounting regulation. This evolution also reflects a continuing globalization process that was underway at the international level at this time, and the Romanian accounting system mirrors the world trend to implement the IAS/IFRS.

Up until the 1950s the Romanian accounting profession actively sought a national accounting identity, which the communist regime thereafter undid and deformed by introducing Soviet principles and mandates. Happily, the revolution of 1989 liberated Romanian accounting from the handcuffs of a centralised accounting system, thus allowing it to seek its own identity. Sadly, this authentic Romanian accounting identity remains elusive because Romania continues to copy structures and practices of outside institutions that are perceived as successful rather than developing "home grown" responses to its accounting needs. Lacking a period of introspection, there is little hope that Romanian accounting will re-

discover its unique culture, or will manage to build upon its historical base or improve upon it in the current international context.

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