

# Financial reporting in Romania

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Financial reporting in Romania has taken time to develop since the country adopted a market economy in 1990. For much of the time, financial reporting has been focused on providing information to the government authorities rather than providing information to investors (current and prospective), management, financial institutions and other common users of financial reports in an international context. Financial reporting (and accounting in general) in Romania has tended to be more about form than about substance, dotting the “Is” and crossing the “Ts”, rather than focusing on whether the figures reflect the accurate financial position of the reporting entity and the results from activities during the reporting period.

Over recent years there has been substantial change in financial reporting and auditing requirements in Romania. For year end 31 December 2006, there were further changes with new legislation and regulations coming into force. New legislation looks to introduce requirements in accounting and financial reporting related matters that are consistent with European Union Directives.

The main legislation currently regulating the accounting and financial reporting environment comprises the Accounting Law 82/1991 (Accounting Law), republished in 2005, and Minister of Public Finance Order 1752/2005 (MoF Order 1752) modified by Minister of Public Finance Order 2001/2006 (Mof Order 2001/2006). The Accounting Law indicates the requirements for the general accounting framework for Romanian entities and MoF Order 1752 covers financial reporting and related accounting requirements. The provisions of MoF Order 1752 have been prepared to reflect relevant European Directives in force, namely Directive IV for stand-alone financial statements and Directive VII for consolidated financial statements.

In this article we focus on the following financial reporting legislation:

- approval of Accounting Regulations to comply with European Directives – Minister of Finance Order 1752/2005 (MoF Order 1752/2005), subsequently modified by MoF Order 2001/2006
- conformity of Accounting Regulations with International Financial Reporting Standards and respecting conformity of accounting regulations with European Directives – Minister of Finance Order 907/2005 (MoF Order 907/2005);
- application of International Financial Reporting Standards – Minister of Finance Order 1121/2006 (MoF Order 1121/2006).

## Sources of accounting principles

Accounting in Romania is regulated by the provisions of Law 82/1991, republished in January 2005 (Accounting Law).

In accordance with the Accounting Law, it is mandatory for all legal entities and authorised individuals to keep accounting records in Romanian language and the national currency. For internal information purposes, entities may choose to draw up statements in another currency.

Legal entities or individuals have to keep written evidence of all transactions and record these transactions in their accounting books. The records required by the Accounting Law include: Journal Registers, Stock Register (based on an annual inventory of assets and liabilities), and Nominal Ledger (based on analysis of the accounting information posted from source documents or Journal Registers). The books and the accounting records may be hand-written or in an electronic format and can be used as evidence in court and are subject to review by Romanian fiscal and judicial authorities. Accountants should prepare a trial balance from the nominal ledger on an annual basis and this trial balance is the basis for preparation of periodic financial statements.

Accounting regulations issued require a specific chart of accounts and specific reporting disclosure contents and formats for entities. From 1 January 2006, MoF Order 1752/2005 provides the applicable base to be followed in two accompanying regulations:

- accounting regulations for compliance with the 4<sup>th</sup> Directive of the European Economic Communities (AR4); and
- accounting regulations for compliance with the 7<sup>th</sup> Directive of the European Economic Communities (AR7).

MoF Order 1752/2005, applicable from 1 January 2006, in conjunction with the accompanying accounting regulations issued and subsequently issued regulations, provides: prescribed layout and content of the annual financial statements, accounting principles and valuation rules, rules on the preparation, approval, auditing and publication of the annual financial statements.

## Fundamental concepts

MoF Order 1752/2005 looks to cover in one piece of legislation the financial reporting applicable to entities of all sizes, with differing level of disclosure relating to size and public interest consideration.

MoF Order 1752/2005 stipulates that the following general principles apply:

- Accruals basis – Transactions and other events are recognised when they arise and are entered in the accounting records and reported in the financial statements for the related period.
- True and fair view – Annual financial statements are to be prepared to give a true and fair view of the assets, liabilities, financial position and period results of an entity.
- Comparative figures are to be disclosed for all statements prepared.
- Going concern – The entity is presumed to be carrying on its business as a going concern. If this principle is not appropriate and the Administrator(s) are aware of this, there is a doubt on the ability of an entity to continue its activities. This should then be disclosed in the explanatory notes.

- Consistency – There should be an application of valuation rules on a consistent basis from year to year.
- Prudence – In particular:
  - Only profits made at the balance sheet date are to be included.
  - Includes all liabilities relating to financial year or previous years, even if such liabilities become apparent or become known between the balance sheet date and the date of completion of preparation.
  - All depreciation (value adjustments) is to be included irrespective of whether the result for the financial year is a loss or a profit.
- Independence – Income and charges relating to the financial year are recorded irrespective of the date of receipt or payment.
- Separation – Components of asset and liability items are valued separately.
- Intangibility – Opening balance sheet for each financial year must correspond to the closing balance sheet for the previous financial year.
- No offset – Offset between asset and liability items in the period end balance sheet is not allowed.
- Economic substance and reality of events – Carrying values and transactions should be considered and not only the legal form and/or substance.

Any departures from the above principles are seen as being exceptional and would require disclosure in the explanatory notes indicating reason for not applying and the effect on the disclosure of assets and liabilities carrying value, the financial position and period results.

### **Valuation principles and accounting policies**

Valuation in general is based on purchase price or production cost. In specific situations, contribution value and fair value (including revaluations) may be used. MoF Order 1752/2005 mentions that assets and liabilities will be valued according to the contents of this Order and to norms issued by the Ministry of Finance.

Accounting principles are meant to reflect cost values, but “fair value” should also be considered for carrying values for annual financial statement preparation. This includes revaluations of tangible assets. It is indicated that valuations should be completed by a professional valuator (i.e. a member of a relevant professional body with national or international recognition).

MoF Order 1752/2005 includes guidance on valuation methods and accounting principles to be considered in the maintenance of financial records and in the preparation of annual financial statements.

There is no direct mention of International Financial Reporting Standards (IFRS) in MoF Order 1752/2005 or the accompanying accounting regulations (AR4 and AR7).

There is, as far as AR4 and AR7 are concerned, a consistency in many areas with IFRS, and it can be assumed (although there is no definitive guidance), that where further guidance is required, IFRS could be referred to for applicable accounting policy disclosures required in the notes to the financial statements. In many areas, IFRS will provide further guidance on valuation methods and accounting policies.

At the same time, there are some IFRS that are not applied or have only limited comment in AR4, such as:

- Deferred taxation, while applying under previous legislation (MoF Order 94/2001), is not mentioned in MoF Order 1752/2005, except to the extent of indicating how to treat opening balances arising from previous year application of IAS 12 “Income taxes”.
- For “financial instruments”<sup>1</sup> there is some mention of treatment, but it is very limited and certainly includes little of what is included in IAS 32 “Financial instruments – disclosure and presentation” and IAS 39 “Financial instruments – recognition and measurement”.
- IAS 18 “Leases”, there are definitions included in MoF Order 2001/2006 of a “finance lease” and an “operating lease”, as well as the accounting treatment to be applied for these items, but there is more limited disclosure requirements than IAS 18.
- In addition to some matters in a large number of IFRS standards that are only touched on to a limited extent, there is no reference to specific matters referred to by some IFRS standards, such as: IFRS 2 “Share-based Payment”; IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”; IFRS 6 “Exploration for and Evaluation of Mineral Resources”; IAS 11 “Construction contracts”; IAS 14 “Segment Reporting”; IAS 19 “Employee Benefits”; IAS 40 “Investment Property”; and IAS 41 “Agriculture”.
- For intangible assets, there are some specific treatments prescribed that are not in all cases consistent with IAS 38 “Intangibles”. This includes treatment for depreciation of goodwill arising from acquisition.
- Corrections arising from adoption of MoF Order 1752/2005 or errors from previous periods are included as a current year retained earnings adjustment, with appropriate disclosure and a requirement that any loss generated is to be covered by current year profit before any profit distribution from the current year is made. IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” requires adjustments to be made to previous year comparatives for certain accounting policy changes and previous period errors.
- For the preparation of consolidated financial statements (see further comments below) there are some differences compared to IFRS 3 “Business Combinations” including:
  - Treatment of amortization of the goodwill arising on acquisition over 5 years; IFRS carry at full value less impairment assessment.
  - Negative goodwill on acquisition is recognised in the income statement only to the extent that certain criteria are met; IFRS 3 requires immediate expensing through the income statement.
  - If on acquisition values cannot be determined, then value on first date of first time period end carrying values can be used for consolidation and for determination of goodwill on acquisition.
- Decommissioning provision and inclusion in the value of an item of property, plant and equipment is not allowed under MoF Order 1752/2005.
- IAS 2 “Inventories” allows FIFO, weighted average and in specific cases, by item identification basis and retail price method. MoF Order 1752/2005 in

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<sup>1</sup> “Financial instruments” refer to: cash, equity instruments, cash contractual rights (receivables, payables, other receivables, other liabilities)

addition to the cost determination basis indicated above indicates that a LIFO<sup>2</sup> method can be used.

- The extent of specific disclosure requirements under MoF Order 1752/2005 is more limited than IFRS requirements, however to reflect a “true and fair view” as indicated in MoF Order 1752/2005, there is an argument for extensive disclosure.
- IFRS provides more guidance on accounting policies and principles in specific areas and for specific industries.

In order to clarify certain accounting treatments and give more clear definitions, the Ministry of Finance issued order 2001/2006. This document includes:

- the definition of finance and operating leasing and their accounting treatment;
- definitions for revenues and expenses;
- definitions of related parties;
- disclosure of significant guarantees in the financial statements is mandatory.

Broadly speaking, MoF Order 1752/2005 should provide enough guidance for most entities in most situations. As application commences, some issues on treatment and disclosure may arise, requiring further clarification.

In relation to accounting policies, AR4 indicates that:

- specific principles and policies adopted by the entity in preparing, drafting and completing its annual financial statements;
- the management of each entity shall set the accounting policies for the operations carried out, to reflect the specific activity of the entity;
- in establishing accounting policies, an entity needs to ensure that the general accounting principles (“fundamental concepts”) as included in AR4 are observed;
- accounting policies should be:
  - relevant for the needs of the users in the decision-making process;
  - “credible” – present a “true and fair” situation, be neutral, be prudent and be complete in all significant aspects;
  - only be changed if required by law or to present more relevant or “credible” information.

A limitation with MoF Order 1752/2005 is the extent to which entities have flexibility in choosing accounting policies to be applied, meaning that there may not be consistency in reporting under MoF Order 1752/2005 between similar entities (in terms of industry, type of business and size of operations).

## Disclosure, reporting and filing requirements

MoF Order 1752/2005 has been effective from 1 January 2006 for reporting year ending 31 December 2006.

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<sup>2</sup> It is considered for LIFO to be used there would need to be a strong business operation case for the financial auditor not to issue a qualified opinion.

MoF Order 1752/2005 differentiates between entities that need to meet all financial reporting requirements and those that can complete abridged financial reporting. The entities are differentiated by “size criteria”. The size criteria indicated are: [Art 3(1)]

	Turnover (for the period) EUR million	Total assets (at year end) EUR million	Average number of employees for the period
31 December year end	Over 7.3	Over 3.65	50

An entity that meets two out of three criteria during two consecutive financial years<sup>3</sup> or that is a listed company<sup>4</sup> is required to annually complete financial statements that comprise:

- Balance sheet
- Profit and loss statement
- Statement of changes in equity
- Cash-flow statement
- Explanatory notes.

Some subcategories of main balance sheet items can be combined, where amounts are immaterial or where combination would provide greater clarity. This does not apply for listed companies.

Entities that do not meet the size criteria are required to prepare:

- Abridged balance sheet
- Profit and loss statement
- Explanatory notes to the simplified financial statements
- At their own discretion, entities below the size threshold may prepare a statement of changes in equity and/or cash-flow statement.

In addition, the annual financial statements for all entities (regardless of size) should be accompanied by a written declaration of the responsibility for entity management for the annual financial statement and an Administrator(s) Report on operations.

Certain groups may be required to complete consolidated financial statements (see further comment below).

MoF Order 1752/2005 details a specified chart of accounts listing to be applied and includes direction for the mapping of individual accounts to the balance sheet and income statement formats.

The general chart of accounts has the following categories:

- Class 1 – Equity accounts
- Class 2 – Non-current assets
- Class 3 – Inventories and work in progress
- Class 4 – Third party accounts (receivables and payables)

<sup>3</sup> For years other than 2006, this would mean the previous year and the current year, so that if criteria are met in 2006 and 2007, reporting in 2007 reflects meeting criteria.

<sup>4</sup> An entity that has its securities traded on a regulated market.

- Class 5 – Treasury accounts
- Class 6 – Expense accounts
- Class 7 – Revenue accounts
- Class 8 – Special accounts (off-balance sheet)
- Class 9 – Management accounts<sup>5</sup>.

Specified formats are provided in AR4 for:

- Balance sheet (full and abridged)
- Profit and loss statement
- Statement of changes in equity
- Cash-flow statement.

Explanatory notes are to be completed to:

- present information on the accounting regulations underlying the preparation of the annual financial statements and the accounting policies used;
- provide additional information that is not disclosed in the financial statements<sup>6</sup>, but which is relevant for the information user to understand the financial statements.

Specific details for compulsory explanatory notes preparation are included in MoF Order 1752/2005 (AR4). These include:

- Non-current assets
- Provisions
- Profit distribution
- Analysis of operating result
- Statement of receivables and payables
- Accounting principles, policies and methods
- Interest and financing sources
- Information regarding employees, administrators, management and supervisory bodies
- Computation and analysis of the main economic and financial indicators
- Other information.

If there is any departure from the indicated general accounting principles (“fundamental concepts”) that underlie MoF Order 1752/2005 requirements, then disclosure of the reason and impact is required.

MoF Order 1752/2005 in AR4 details disclosures that are required as part of explanatory notes to the annual financial statements.

Specific disclosure requirements are also indicated for matters such as:

- accounting policies, including valuation methods and basis for conversion of transactions into national currency, as applicable;

<sup>5</sup> Use of the accounts in Class 9 is optional.

<sup>6</sup> Financial statements refer to: balance sheet, income statement and, if applicable, the statement of changes in shareholders equity and the cash-flow statement.

- changes to accounting policies, including impact on current financial year results (no retrospective period adjustments are made under MoF Order 1752/2005 for changes to accounting policies);
- name of entity, main place where activities are performed and registered office, main activities, name of parent and ultimate holding company;
- related parties for relationship, balances at period end and transactions during the period;
- non-current asset details and movements;
- information on revaluations, including method of revaluation and impact;
- information on financial instruments;
- details on participating interests and investments;
- disclosures by category for receivables, payables and inventory and other relevant information;
- provisions, for comments on composition and movements;
- reconciliation between accounting results and fiscal result and tax payable at period end;
- information on composition of share capital by type and securities issued during the year;
- turnover details by separate activities and geographic markets;
- information on distribution of net profits, including details on dividends proposed and/or paid;
- commitments and contingencies;
- events after balance sheet date;
- financial auditors fee disclosures;
- average number of employees by main categories and related personnel costs;
- information on payments to Administrator/(s), management and supervisory boards;
- amounts paid under lease agreements and ongoing obligations under lease agreements.

### **Report of the Administrator(s)**

A Report of the Administrator(s) is to be completed with each financial year to accompany the annual financial statements.

The Report is to provide comment on the current year's activities of the entity, the financial position and a description of the main risks and uncertainties facing the entity. Disclosure of financial ratios and non-financial ratios is encouraged.

Specific items to be addressed, as applicable are:

- Significant events that occurred during the financial year
- Probable evolution of the entity
- Research and development activities
- Purchase of own shares

- Branches of the entity
- Use of financial instruments and potential associated risks.

### **Approval and publication**

The annual financial statements include details of the persons that have prepared the financial statements. The Administrator (or Chairman of the Administration Board) and the preparer are required to sign the annual financial statements.

On completion the annual financial statements and the Report of the Administrator(s) are presented to the general meeting of shareholders.

The annual financial statements, the Report of the Administrator/(s) and the Report of the Financial Auditor are published in compliance with legislation.

Current publication requirements are for the annual financial statements and related reports to be submitted to the Trade Register in the location where the entity is registered.

A company which does not have its own accounting department and/or a qualified person in charge of the accounting records, and which has turnover greater than the lei equivalent of EUR 50,000, must contract an authorised person (individual or firm) to prepare its financial statements

Law 441/2006 which modifies the Company Law 31/1990 indicates that:

- Annual General Assembly of Shareholders (AGM) is to be held within 5 months from the financial year end [Art. 111 (1)].
- Company is to submit the approved annual financial statements (including Administrators' Report and Financial Auditors' Report/Censors Report, where applicable) to the Trade Register [Art. 185 (1)] within 15 days of the AGM.
- The Trade Register is to forward an electronic version of the information contained in the annual financial statements to the Ministry of Finance according to Norms [Art 185 (4)].

The Accounting Law as currently issued does not cover in its definitions MoF Order 1752/2005 and at present the direct submission, if any, with the Ministry of Finance is not clear. It is expected that further legislation will be issued during 2007 on this matter. The expectation is that there will be a submission requirement to the Ministry of Finance of the annual financial statements.

In addition there are specific submission requirements for:

- Entities regulated by the National Securities Commission (CNVM) where submission of annual financial statements accompanied by the financial auditors' report is required within 4 months of the financial year end
- Insurance / re-insurance entities that are regulated by Insurance Supervision Commission (CSA) where submission of annual financial statements accompanied by the financial auditors' report is required within 4 months of the financial year end.

## Dividend distribution

Dividend distribution is based on the statutory accounting profit of an individual entity.

## Consolidated financial statements

In addition to comments in MoF Order 1752/2005 [Art 7 and 8], specific guidance is provided in the accompanying “Accounting Regulations – Compliance with the 7<sup>th</sup> Directive of the European Economic Communities” (AR7).

Consolidation is required where an entity has the majority of voting rights in another entity or substantially controls another entity.

If any entity in the group is a listed company, then consolidated financial statements must be prepared.

There are certain considerations as to whether consolidated financial statements are required, the first consideration is if the group parent is a listed company or if the preparation is required by a state institution or for employees’ information.

If the above is not the case, then the next consideration is if the company group meets “size criteria”. The requirement for the preparation of consolidated financial statements, in this case, is to meet two of the following three criteria based on the latest annual financial statements:

	Turnover (for the period) EUR million	Total assets (at year end) EUR million	Average number of employees for the period
31 December year end	Over 35.04	Over 17.52	250

Even if a company group meets the requirements of the “size criteria”, as indicated above, it is not required to prepare consolidated financial statements if the Romanian parent entity of the group is also a subsidiary entity and its own parent entity is governed by Romanian law or EU member state law and:

- where the parent entity holds all the shares in the exempted entity; or
- where the parent entity holds 90% or more of the shares in the exempted entity and the remaining shareholders in or member of the entity have approved the exemption.

A subsidiary does not need to be included in the group consolidation if:

- it is not material to provide a true and fair view of the assets, liabilities, financial position, results for the period for the consolidated group as a whole;
- the individual entity:
  - has severe long-term restrictions to hinder operations;
  - information necessary for the preparation of consolidated accounts cannot be obtained without disproportionate expense or undue delay;
  - the shares of that entity are held exclusively with a view to a subsequent resale.

AR7 provides guidance for consolidated financial statements in relation to:

- Preparation principles
- Content of explanatory notes
- Report of Administrator(s)
- Audit requirements
- Approval, execution and publication
- Layout of consolidated balance sheet and consolidated profit and loss statement.

The guidance provided is consistent with the EU 7<sup>th</sup> Directive.

MoF Order 2001/2006 provides that where an entity is preparing IFRS financial statements (see comment below), then its consolidated financial statements can be on the same basis.

The timing for submission of consolidated financial statements is still to be clarified and further regulations are expected to be issued on this. The consolidated financial statements are to be audited by a financial auditor and there should be an accompanying Administrators' Report.

Except for entities reporting to CNVM and/or CSA and/or NBR (requiring public or regulatory body submission), the consolidated financial statements are issued for "internal use" (including shareholder information) only and do not appear to require AGM approval or need to be submitted to the Trade Register or the Ministry of Finance.

### **IFRS Application in Romania**

MoF Order 907/2005 provides that credit institutions have to prepare an additional set of financial statements prepared in accordance with IFRS for the year ending 31 December 2006, while "public interest" entities are allowed to prepare an additional set of IFRS financial statements.

"Public interest" entities are defined as being:

- lending institutions,
- insurance / re-insurance brokers,
- entities trading securities,
- listed companies,
- national companies,
- entities part of a group for which the parent company prepares consolidated financials statements in accordance with IFRS,
- entities financed by loans not reimbursable or loans guaranteed by the state.

MoF Order 1121/2006 provides further guidance on the completion of financial statements in accordance with IFRS for the year ended 31 December 2007. MoF Order 1121/2006 requires that in addition to credit institutions, listed companies are also to prepare an additional set of financial statements in accordance with IFRS for the year ended 31 December 2007.

All other types of entities considered to be "public interest" entities may continue to prepare financial statements in accordance with IFRS for their internal purposes.

Where an entity prepares IFRS financial statements, it is still required to prepare and submit to the AGM and to the relevant Romanian authorities an annual set of financial statement prepared in accordance with MoF Order 1752/2005.

### **Banks and insurance companies**

Over recent years, there have been changes in financial reporting for banks and insurance companies to bring Romanian requirements in line with European Union directives and International Financial Reporting Standards for banks.

As indicated above, MoF Order 905/2005 requires compliance with IFRS for banks and insurance entities for the financial year 2007.

For statutory purposes, lending institutions are required to follow the regulations included in NBR Order 5/2005 which harmonizes the accounting regulations applying to lending institutions with those included in European Directives.

Requirements for insurance / re-insurance brokers reporting to CSA are covered under CSA regulations.

### **Significant accounting concepts for investors and users of financial reporting information**

Historically, Romanian accounting records have been heavily influenced by the use of information for tax compliance purposes.

The primary function of financial/accounting details collection and recording process has been seen by many Romanian entities and management/staff within the entities (both State and private) as being for taxation compliance and taxation reporting purposes. As a result of this, the reported information has tended to reflect a “form over substance” disclosure, that is, greater importance is placed on having particular documents or recording something in a specific way, rather than in “accurately” reflecting the financial position of the enterprise at a point in time or indicating whether the results for the period are an appropriate representation of what has occurred.

Romanian accounting laws and regulations are not as such at fault, with the regulations providing for and encouraging treatments that are consistent in many ways with international accounting principles. Issues have however arisen on how laws and regulations are applied and have tended to reflect the background and outlook of Romanian accountants.

Up to 31 December 2003, Romania was considered to be a hyperinflationary economy, under the criteria of IAS 29 “Financial reporting in hyperinflationary economies”. For Romanian statutory reporting, IAS 29 was not applied. In looking at financial statements where there are significant non-monetary items, users should keep this in mind and consider if there have been any revaluation of tangible and intangible assets and on what basis.

### **Audit requirements**

All entities meeting the size criteria requirements and public interest entities are required to have a financial audit.

Entities preparing simplified financial statements do not require a financial audit, unless required by other legislation (such as Company Law).

The financial auditor issues a report, which as indicated in the Company Law is addressed to the shareholders (or equivalent) at the Annual General Meeting of Shareholders.

Matters to be included in the Report of the financial auditor are indicated in MoF Order 1752/2005. In addition the financial auditor is required to comply with audit standards as issued by the Romanian Chamber of Auditors.

A financial audit can be completed by a financial auditor, which can be an individual or a company that is a member of the Romanian Chamber of Auditors.

The Romanian Chamber of Auditors was established by Ordinance 75/1999 (as subsequently approved by Law 133/2002) to establish auditing standards in Romania and to monitor the profession in relation to membership and qualification standards, including establishment of examinations and membership criteria, ongoing training programmes, ethical standards and quality review procedures.

The Chamber of Auditors has looked to adopt in Romanian translation the International Standards on Auditing as issued by the International Federation of Accountants for application in Romania.

### **Regulated industries**

If applicable, the report of the independent financial auditor is also issued to the regulatory bodies such as CNVM, CSA, NBR with the annual financial statements.

### **Company Law modifications – impact on financial reporting**

The main changes concerning financial reporting in Romania as a result of Law 31/1990 (modified by Law 441/2006) include:

- the AGM is called at least annually, within 5 months after the financial year end;
- the AGM should be announced publicly (notice in the Official Monitor) 30 days before the meeting date;
- the financial statements should be given to the financial auditors/censors (as and where applicable) 30 days before the announcement of the AGM;
- the audit report should be made available to the shareholders 15 days before the AGM date;
- the financial statements accompanied by the audit report should be submitted to Trade Register 15 days after the AGM date;
- the annual financial statements should only be submitted to Trade Register;
- the Trade Register is to send the annual financial statements to the Ministry of Finance electronically<sup>7</sup>;
- corporate governance compliance should be implemented within the Romanian companies (i.e. internal audit departments, Audit Committee, non executive managers (Supervising Committee));
- the entities can stipulate in their statute if they are managed by a Directorate (in charge with daily operations) and a Supervising Committee - “dualist system”;

<sup>7</sup> It is possible that this may not operate effectively for a number of years due to electronic transfer infrastructure issues.

- the entities running their activities based on the dualist management system must have their financial statements audited. There are no stipulations on to undertaking integrated audits (both audit of the financial statements and of the internal controls systems);
- dividends are payable out of the statutory profit of the previous year and are paid at a date established by AGM, but not later than 6 months after the approval of the financial statements.