COMPARATIVE STUDY OF ACCOUNTING STANDARDS IN BRICS AND EU

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The purpose of this paper is to examine recent accounting rules to facilitate international harmonization in BRICS countries and to show how they have developed an accounting system that harmonizes with international standards, while maintaining macroeconomic control. This paper studies the influence of globalization on the development of accounting in BRICS countries, suggestling that the accounting practices of a country in harmony with international standards outlined above face barriers in the literature, such as the economic and accounting system - tradition. In order to answer the research question, the study primarily differences in contexts of international accounting and book-keeping from the BRICS countries subsequently in terms of the conceptual framework, clarifying thus the differences between the accounts of the BRICS and international Accounting and the causes of these differences.

Keywords: International Financial Reporting Standards, International Accounting Standards, GAAP, BRICS, accounting rules

1. Introduction

The term BRIC was invented in 2001 by Jim O'Neill, global economist at Goldman Sachs, arguing that the economic potential of emerging markets of Brazil, Russia, India and China are huge in the next decades. The group at first was known as BRIC, so that in August 2010 to join the partnership and South Africa. These countries cover 25 % of the world area, 40 % of the population, and are economically growing worldwide, with a significant influence on both the regional affairs and to the global; all five are members of the G -20.[45] Since 2013, the five countries representing nearly 3 billion of the population, with a nominal GDP of U.S. $ 16.039 trillion, with estimating 4 U.S. $ trillion foreign reserves. Currently, South Africa has the "chair" of BRICS group, joining the group of five - summit in 2013. It is speculated that Indonesia and Turkey have been mentioned eligible for full membership, while Egypt, Iran, Nigeria and Syria have expressed their desire to join the BRICS group. The purpose of this paper is to investigate and research the accounting systems that are used today in these countries, and have led to an increase in the global economy, the so-called BRICS (Brazil, Russia, India, China and South Africa), and to check in what extent the current global convergence of different accounting systems should also involve these countries, with the International Accounting systems.

From the beginning, the analysis is related to the accounting practices adopted by each of the four countries, the similarities and differences with IFRS. BRICS countries are an active part of the process of convergence to IAS, however, there are still many differences between the accounting practices used by individual country and international, due to the specific economic and peculiarities of developing them, and certainly "resistance" in the full adoption of international accounting standards model.

2. The accounting rules in Brazil

Accounting standards issued by the Brazilian Federal Accounting Council (CFC) must follow the same style stadandard development and use of international standards, it includes interpretations of techniques and technical reports.

In 2000, the Government of Constantine established a legal process underway, replacing Brazilian GAAP with IFRS. This eventually eliminating all obstacles Congress in late 2007 and was put into force on January 1st, 2008.[46]

On January 28th 2010, Brazilian Federal Council of Accounting and Brazilian Accounting Statements Committee signed a Memorandum of Understanding (MoU) with the IASB setting out in late

[45] http://en.wikipedia.org/wiki/BRICS, văzut in data de 23.04.2014
[46] https://www.pwc.com.br/pt/ifrs-brasil/assets/booklet-ibri-11-ingles.pdf, văzut in data de 23.04.2014

2010, the date of convergence with International Financial Reporting Standards (IFRS) thus establishing a framework for future cooperation between organizations. Accounting practices adopted in Brazil (BR GAAP) are based on Corporate Law, which was updated in 2008 by Law 11.638/07. This Law's international approximated BR GAAP Financial Reporting Standards (IFRS), although there are many differences that still remain. As a starting point for BR GAAP is Corporate Law, where were inconsistencies in accounting treatment between different companies in Brazil, due to lack of guidance to implement the law, which is very shallow on accounting.

3. The accounting rules in Russia

Current accounting regulations are based on the Accounting Act of 1996 and Russian Accounting Standards various regulations of the Ministry of Finance.

Russian government implemented a program to harmonize their accounting standards IAS / IFRS starting in 1998. Despite these efforts remain essential differences between DAS and IFRS. Since 2004 all commercial banks are required to prepare financial statements in accordance with both DAS and IFRS. However, the complete transition to IFRS is delayed and is expected from 2011.[47]

Another aspect of Russia's adoption of IAS / IFRS is that, regardless of the adopted standard, it will not be and will not apply to the original version.

For example, Russian standard on income taxes is based on the old version of IAS standard and not the new one. This is recognized in the accounting community of Russian, but may not be well known outside Russia. Another little known fact, is that the Russian version of the standards that have been adopted, was translated from English mostly abbreviated and simplified compared to the original of the IAS / IFRS. RAS tend to be shorter, more conceptualy detailed.

These usually cover only part of the contents of IAS / IFRS. In short, it would be inappropriate to say that Russia has adopted IAS / IFRS, but rather simply RAS is based on IAS / IFRS. Often the differences between RAS and IAS / IFRS are not large or significant, however the difference can be substantial development in the area of the principles.

For this reason most Russian companies are not interested in attracting foreign capital, using IAS / IFRS, some of them use U.S. GAAP. One of the determinative factors in the choice of financial reporting standards recognized internationally used has much to do with the capital market which is currently preferred in the future.

The rules of Russian Accounting Regulations (RSA) also known as Russian Accounting Standards, are governed by rules structured into four hierarchical levels. The highest level is the Accounting Law (promulgated by the Russian parliament, the State Duma); on the second level are found Accounting Standards, the acronym PBU Polozheniya po Bukhgalterskomu Uchetu issued by the Russian Ministry of Finance. Ministry's work is based on the Accounting Act, Article 4 of the new Accounting Law. PBU Standards issued by the Russian Ministry of Finance are based largely on international financial reporting standards with each new amendment aiming to close the principles of IFRS by RAS. The third level is based on flexibility sources accounting documents. An important change in the law refers to the source of primary documents, which must be made by law to support accounting operations. And a fourth level of regulation may be considered the rules that the companies establish for themselves within allowable government regulation. These rules cover areas not fully covered by law or cases where the company is governing individually the accounting policies.

The main deficiency in the development of RAS compared with IFRS accounting principles stems from the fact that it still favors the tax authorities as the main recipient of the information. This is in direct contrast with the IFRS accounting principles in financial and accounting information should be produced specifically in the interest of accuracy and fairness to shareholders and relevant stakeholders.

The new law, applicable effectively in 2013 will introduce considerable flexibility on primary accounting documents and permanently remove strictness and confusion that now dominate Russia.

4. The accounting rules in India

Although in essence is similar to IFRS , IND AS / Standard Indian intends to certify that these standards are applicable to the economic environment.[48]

There are a set of standards notified by the Ministry of Public Relations converge with International Financial Reporting Standards (IFRS). These accounting standards are issued by the

[47] http://www.kpmg.com/CN/en/IssuesAndInsights/ArticlesPublications/documents/IFRS-compared-to-Russian-GAAP-O-200510.pdf, văzut in data de 24.04.2014
[48] http://en.wikipedia.org/wiki/Indian_Accounting_Standards, văzut in data de 25.04.2014

Accounting Standards Board of the Institute of Chartered Accountants of India. Thus, India will have two sets of accounting standards, one based on their own standards and IFRS which India joined in 2006. Standards India (Ind AS) are named and numbered according to the correspondents of IFRS.

Ministry of Public Relations produced in February 2011, 35 Indian standards equivalent to international standards IFRS.[49] Although similar to international standards, the Indian standards have some deficiencies to be implemented in the economic environment. Initially, the standards were scheduled to be adjusted on April 1st, 2011 structured in a "pilot" form, but were not approved for implementation even today .

Until approval date will be announced, continue to be used the existing standards, used especially for SMEs. ICAI has announced that IFRS will be mandatory in India for financial statements for periods beginning on or after April 1st, 2012, but this plan has failed and IFRS / IND-AS (Converged IFRS) are not yet in force. There was a roadmap but Indian companies are still following ancient Indian GAAP. There is no new date of IFRS adoption.[50]

5. The accounting standards in China

The accounting rules are used in almost all China. Since February 2010 the Chinese accounting standard system consists of a basic standard, 38 specific standards and application guide. Chinese accounting standards are unique because they originate within a socialist period, the state was the only owner of the industry, therefore, unlike Western accounting standards, they were less an instrument of profit and loss and more an inventory of property owned by the companies. In contrast with the balance sheets of Western, Chinese accounting standards did not include an accounting of the debt held by corporations and were less suitable for management control than for tax purposes.[51]

In 2006 the Chinese government introduced a revised accounting law, which opened the road to the International Standard (IFRS) and thus aligned China with the rest of the world. The similarity of Chinese Accounting Standard (CAS) with IFRS reached a rate of nearly 95%, and proved a complete commitment to Chinese companies, asking it to prepare three sets of the accounting statements, one under the Chinese standard (China GAAP), one using the international standard under IFRS and one, North American standard GAAP (U.S. GAAP).[52]

Currently foreign companies investing in China are required to prepare financial reports at the end of each year according CAS (Chinese Accounting Standard).

6. The accounting standards in South Africa

The adapting of South Africa to IFRS took place from 1993 to 2004. During this period accounting practice differences between South Africa and IFRS have been removed.[53]

All companies listed on the Johannesburg stock exchange were required to comply with the requirements of International Financial Reporting Standards (IFRS) from January 1st, 2005. Statements of South African GAAP are entirely consistent with IFRS, although there may be a delay between issuing a statement IFRS and GAAP equivalent (may affect voluntary early adoption).

According to generally accepted accounting practices, the objective of financial statements is to provide useful information to the primary user groups such statements, regardless of the size of the entity. The main users of financial statements of SMEs are the owners, South African Revenue Services (SARS) and the bankers. Requirements for recognition, measurement and presentation of full IFRSs do not lead to cost-effective and provide useful information for users of financial statements of SMEs (unlisted companies, close corporations and other small entities, regardless of their legal form) for these users do not need vast and complex information in general financial statements.

IFRS for SMEs may be applied by 'limited interest companies "as defined in the South African Corporate Laws Amendment of Law in 2006, where no public accountability. Alternatively, the company may choose to apply to situations in South Africa GAAP or IFRS.

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[49] http://www.ifrs.org/Use-around-the-world/Documents/Jurisdiction-profiles/India-IFRS-Profile.pdf, văzut în data de 25.04.2014
[50] http://en.wikipedia.org/wiki/International_Financial_Reporting_Standards, văzut în data de 30.04.2014
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7. Comparative study on development of the BRICS countries and the EU economy

EU Adopting IFRS

In 2002, the EU adopted IFRS as required standards for consolidated financial statements of all European societies. The adoption of IFRS has been made by the European Parliament and of the Council of July 19, 2002 on the application of international accounting standards (known as the Rules of accounting).[55] The issuers from other countries are allowed to apply the following GAAP: Japanese GAAP; U.S. GAAP, Chinese GAAP Korean GAAP, Canadian GAAP and, at least until December 31, 2014, Indian GAAP. Other country issuers also allowed to apply IFRS as issued by IASB.[56]

The European Commission has labeled 2013 as "the year of truth" in terms of globalization and convergence of IFRS.[57]

The current economy into the BRICS

Paradoxically, the five BRICS countries are considered emerging countries, which means that they were once underdeveloped (growth criteria), but failed to revive the economy, so, to begin a process of accumulation of doubled wealth of important structural changes in the economic and social level.

In **Brazil** decline in price of raw materials highlights the structural weakness of the country, which is poorly equipped in terms of industrial production, the economy is based on mining and farming. However, the downward trend in commodity prices which came against the background of slowing global demand has hit the Brazilian economy, which became standstill. In addition, the tightening of monetary policy is governed by the rate increase to force rising inflation made that Brazilian exports to rise. This has resulted in a reduction in growth, so that at the end of 2012 it was only 0.9% and 2.77% for 2013 which is disappointing.

With a GDP of 2.425 trillion USD in 2012, Brazil is the 7th world economy. It lacks an international trade and last year had increased by 1%. GDP per inhabitant - $ 12,000, 75th in the world.

In **Russia**, a balanced budget and the scope of the state almost exclusively dependent on the price of oil and especially that of natural gas, while the export of these raw materials represent 60% of Russian exports. As the global economic slowdown has forced decline in demand for such products and hence their prices, the Russian economy has a big problem. Especially since, lately, "classical" hydrocarbons are undermined by the schist ones.

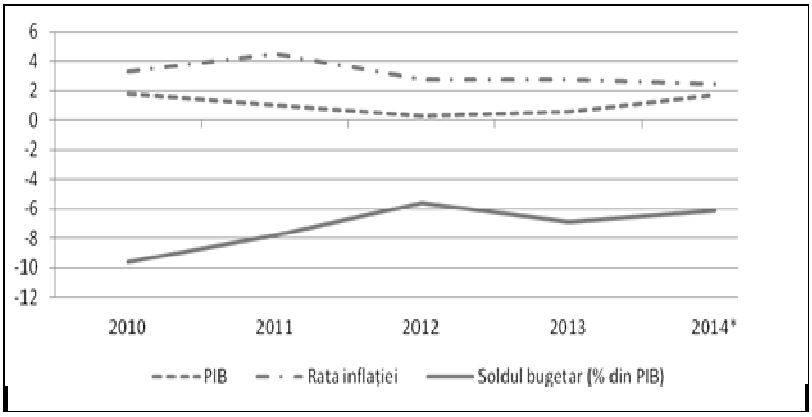

Figure 1. European Commission - European Economic Forecast, Spring 2013, 9 May 2013, Brussels.
The pace of GDP with a high positive development during 2010 - 2011, followed by a slight slowdown in 2012.

According to data in the report "Spring" European Commission, GDP growth was 3.4% in 2012 (compared with 4.3% in 2011) is forecasting that it will maintain around this level in the coming years. Community analysts same show that it was due in 2012, in addition to the dynamics of exports and private consumption has maintained a strong pace (6.6% compared with 6.7% in 2011). And in 2014 will increase by 4.41 % compared to 2013.

Russia is the 9th among world economies, with a GDP of 1.953 trillion dollars. It is the 8th largest exporter of natural gas. GDP per inhabitant - 17.700 USD, 46th worldwide.

In **India**, the increase for 2012 is the worst recorded in the last 10 years. Thus, although the growth rate remains around 5%, the economy can not cope with demographic pressure and no effective fight against poverty, for the need of an economic growth rate of at least 8%. India has invested heavily in

[55] http://ec.europa.eu/internal_market/accounting/legal_framework/ias_regulation/index_en.htm, văzut în data de 04.05.2014
[56] http://ec.europa.eu/internal_market/accounting/legal_framework/equivale
nce_mechanism_en.htm, văzut în data de 20.04.2014
[57]www.ifrs.org/Use-around-the-world/Documents/Jurisdiction-profiles/European-Union-IFRS-, văzut 20.04.2014

services (especially computers), but this sector is not able to absorb only a little labor. The result is reflected in the increasing social tensions and high inflation issues that come to overlap serious administrative difficulties and infrastructure. This means that it is less expensive to import a product than to transport it from one part to another of India.

India, despite population of 1.24 billion, a small player among the economies of the planet, ranked only 10th in the world (falling in exchange for Russia) with a GDP of 1.946 trillion dollars. GDP per inhabitant - 3.900 USD , 126th worldwide, however , the GDP will grow by 0.47 % in 2014 compared to 2013.

China is going through a delicate and evolving period that is impossible to predict. In 2012 the growth rate was slightly lower than 8%, and for 2013 is estimated around 7%. Highly dependent on growth in the real estate and infrastructure investments. Without real growth in these sectors , the economy will register a growth rate much lower than expected , despite the efforts of official statistics in a fake reality. In addition, one can not overlook the fact that the Chinese economy is a victim of European recession (the main importer of Chinese goods), which could induce China's extreme dependence thesis on the evolution of other economies.

China registered a growth of 7.7% in 2013, as determined by 2012. It is estimated that GDP / inhabitant will increase in 2014 to 9.19% over ¬ ce 2013.[58]

China, the informal leader of the group, has a GDP of 8.25 trillion USD in 2012, 2nd in the world. IMF estimates China's economic growth to 8.2% in 2013. It is the most popular country on the planet, with 1.34 billion people. GDP per inhabitant - 9.100 USD, 94th in the world.

South Africa is the smallest of the BRICS economies, with a GDP of 390 billion USD (No. 28) in a population of 50.5 million inhabitants. GDP per inhabitant-11.300 USD, ranked 79th in the world.[59]

In 2013 the share in GDP was 3.2% agriculture, 33.6% industry and 63.2% services, with a total of 607.5 billion USD, economic growth was 2.4%.

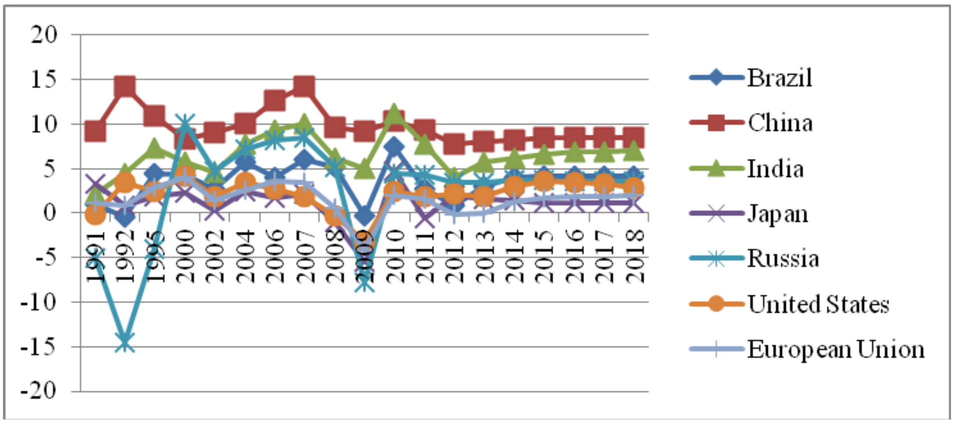

Figure 2. Evolution of real GDP for major world economic powers /
Real GDP growth evolution (annual percent change)
Source: own calculations after http://www.imf.org/external/datamapper/index.php

According to Figure 2, the whole world economy, for the period 2010 to 2013, in 2010 marks a positive development, we observed an increase in economic growth rates in almost all states, but especially in the developed countries. Russia and Brazil have quickly passed over episode of recession in 2009, while China and India have continued to record high growth rates. But in 2012 there is a slowdown in GDP growth in all four emerging powers, which demonstrates that these countries could not decouple from the global economy, but rather were affected by unfavorable economic situation in the U.S. and the EU (especially the euro area). Moreover, China's economic slowdown has negatively affected Brazil, Russia and India, as it is the largest trading partner after the EU for these countries.

[58] http://www.exchangerates.org.uk/CNY-GBP-exchange-rate-history.html, văzut în data de 03.05.2014
[59]http://www.statssa.gov.za/news_archive/Docs/FINAL_BRICS%20PUBLICATION_PRINT_23%20MARCH%202013_Reworked.pdf, văzut în data de 02.05.2014

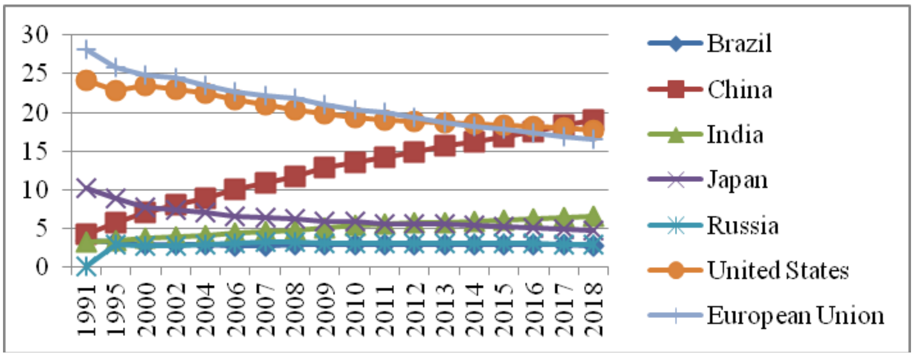

Figure 3. Evolution states the percentage contribution to overall economic growth
Source: own calculations after http://www.imf.org/external/datamapper/index.php

Economic power relations between states among the largest economies in the world can be seen in the percentage contribution of each state to global crude product over time. Thus, in Figure 3, the European Union ranks first with a rate of about 20%, the U.S. contributes 19%, China 15%, India 5.6%, Japan 5.5%, Russia by 3% and Brazil 2.8 %. Developments during the early 21st century to show a reduction in the percentage for developed countries, together with an increase in the share of emerging powers led by China. IMF forecasts a change at the top of this hierarchy driven by China's first passage to the EU and the U.S. by 2017 to 2018.[60]

8. Conclusions

The world is becoming multipolar in the context of the growing role of the group rising BRICS countries, especially China and further transfer of economic power in the Atlantic Basin (U.S. and EU developed countries) in Asia-Pacific (new center of gravity of the world economy represented in special econmic APEC Cooperation Initiative Asia-Pacific, which includes most of the major economies of the world: USA, China, Japan, Russia), and in Asia, the center of gravity has moved similarly from Japan to China and India. The rise of new centers of power will change the global dominance of the OECD economies and in May will lead to a change in competitiveness, global governance and international relations.

The trend toward a multipolar configuration is demonstrated by some global transformations impact. First observed shift from G7 / 8 and G20 the increase global importance of this group as a forum to discuss the issues with global impact, this is a clear signal that important decisions can no longer take in a small circle. In this context is registred also the increase of BRICS countries in the world economy. Thus, although the standard of living in the developing countries is still far from that achieved by the Western powers, they have become the economic decline of the traditional powers of the main source of the globally economic growth and therefore an important factor in the decision the G-20.

Emerging powers are no longer spectators, but increasingly more protagonists changing world order, but we must not forget that this change must be accompanied by their commitment. U.S. remains the most important actor in the economic, technological, and military point of view, the only global superpower, but its relative power will decline in relation to the new developments of the BRICS as emerging power centers.

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