

HARMONIZATION OF ACCOUNTING REGULATIONS IN THE EUROPEAN UNION WITH SPECIAL REFERENCE TO THE EU CENTRAL AND EASTERN EUROPEAN COUNTRIES

UDC 657.375:006.24(4-672EU)

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Abstract. *The emergence and development of a unified European market imposes a need for harmonization of financial reporting of business entities in the European Union. Directives and Regulations are the basic instruments for harmonization of national regulatory frameworks with aquaris, on the one hand, and for hamozication of accounting practices among member countries, as well as those which are claiming membership, on the other. According to the model of financial reporting, the countries of Central and Eastern Europe belong or belonged to the mixed economy model. Our country belongs to the same model. In this paper, we will describe the reaches of certain Central and Eastern Europe economies in harmonization of financial reporting in relation to the current regulations of the European Union. Using comparative analysis, we will point out the essential features of the regulatory frameworks of certain national economies. Positive experiences of these countries in the development of accounting regulations could be applied in our country.*

Key words: *financial reporting, harmonization, Central and Eastern Europe, international accounting regulations*

JEL Classification: M40, M41

INTRODUCTION

The countries of Central and Eastern Europe, during the transition period, carried out socio-economic reforms in order to achieve economic prosperity and higher living standards. The more dynamic economic development of troubled transitional economies

Received February 04, 2018 / Revised April 15, 2018 / Accepted April 20, 2018

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was conditioned by the attraction of foreign capital. The liberalization of economic flows and the establishment of markets in these countries caused the reform of the accounting systems. In the area of financial reporting, the reforms were concerned with the development of existing regulations and practices in accordance with internationally accepted ones. This was done in order to raise the quality of financial statements in terms of relevance, comparability, and transparency of financial information for foreign users. The higher quality of financial reports had a positive influence on the general level of confidence in the financial system of these countries, and therefore, on their competitiveness and appeal for attracting foreign direct and portfolio investments. Most of these countries have been, or continue to be strategically oriented towards European integration. Because of that, the implemented reforms in the legal and accounting systems of these countries are based on the *acquis communautaire* of the European Union. With regard to the other members of the Union, the countries of Central and Eastern Europe differ in terms of socio-economic origin, historical evolution, and the achieved level of development. In the continuation of this paper, we will look at the peculiarities of the accounting systems of individual Member States and candidates, as well as the scopes of harmonization of accounting regulations in relation to the current legal framework of the European Union.

1. HARMONIZATION OF THE ACCOUNTING REGULATIONS OF THE ANALYZED COUNTRIES OF CENTRAL AND EASTERN EUROPE WITH THE REGULATORY FRAMEWORK OF THE EUROPEAN UNION

The accounting systems of individual countries are determined by the economic and political environment, the legal and tax system, professional practice and education. Depending on the key features reflected in: the dominant sources of financing, accounting culture, the legal system, the tax system, the financial reporting objectives, the primary users of the financial statements, the accounting principles, the volume of disclosures, etc., national accounting systems had been usually classified in two large groups before accepting of IFRSs in most countries of the World:

- Continental European Accounting System (Germany, France, Greece, Belgium, Switzerland);
- British-American Accounting System (United Kingdom, Netherlands, Ireland).

The model of mixed economy stood out in Europe during the last decade of the 20th century. This model was characteristic of countries that had implemented transition reforms and had switched to the market economy, which was formally acknowledged by the accession to the European Union. Also, this model is characteristic of those countries that are still in this process, most of which are striving to join the EU.

The European Union law was the basis for the transformation of accounting in most Central and Eastern European countries that transposed the requirements of European directives into their national frameworks and accepted the application of the IAS/IFRS for certain categories of entities, during the transition period. The legacies of pre-communist and communist systems, together with national culture and the needs conditioned by global trends, have influenced the development of accounting practices of these countries. The process of the accounting reform was determined and motivated by: political, economic and social conditions and changes; the need of transition economies to attract foreign direct investment; harmonization of internal accounting principles with relevant European directives and the IAS/IFRS framework (MacLullic & Gurău, 2004).

Transition economies have multiple benefits from the harmonization of financial reporting. The harmonization and application of international regulations makes financial statements understandable to foreign investors and creditors. This reduces the information asymmetry and portfolio risk, and avoids the additional costs associated with the conversion of financial information due to differences in applied accounting standards. However, the process of harmonization is conditioned by certain problems, such as the level of development of these economies, the accounting tradition, the strength of the accounting profession, etc.

In order to assess the achieved level of harmonization of six selected countries with the harmonized framework for financial reporting in the European Union, we will analyze their national accounting regulatory frameworks. The Table 1 provides a chronological overview of the most significant events in the development of the accounting legislation of Poland, the Czech Republic, Slovakia, Hungary, Romania and Bulgaria.

During the transition period, the countries of Central and Eastern Europe included the requirements of the Fourth, Seventh and Eighth Directive of the European Union in their normative acts. The reason for this was that most countries have become members, or were seeking EU membership, that is, the candidate status. Reforms in the accounting system were first implemented by Poland, the Czech Republic, Slovakia and Hungary, followed by Romania and Bulgaria. For those countries, the harmonization of the national law with European law resulted in their accession to the EU in 2004 and in 2007.

2. COMPLIANCE OF NATIONAL ACCOUNTING REGULATIONS OF THE ANALYZED COUNTRIES OF CENTRAL AND EASTERN EUROPE WITH CURRENT EU REGULATIONS

The European Union, by means of regulations and directives as the most important instruments, seeks to harmonize accounting regulations, and achieve a higher level of comparability of financial statements of entities in the Member States. These acts differ from the point of view of the obligation, and the way they are applied in certain national economies. European Union regulations have the force of law in the community, which means that they are binding for the members, so there is no need to directly engage in individual national frameworks. The Directives do not have the force of law, but the Member States are the ones who decide on how to adopt and integrate these regulations into their regulatory framework. The most important acts that constitute the accounting regulatory framework in the European Union are:

- Directive 2013/34/EU;
- Directive 2014/95/EU;
- Directive 2006/43/EU;
- Directive 2014/56/EU;
- Regulation 1606/2002/EC.

In all observed countries, the Accounting Act is the basic act that regulates financial reporting. Whereas, in Romania and Slovakia, the line ministries have developed regulations that further define the area of financial reporting, as well as the application of national and international standards. The latest amendments to national legislations and national standards adopted by professional organizations or relevant state authorities relate to the transposition of Directive 2013/34/EU and Directive 2014/95/EU. So, in the continuation of the paper, we will review the harmonization of national accounting systems of these countries with the requirements of European law regarding the most important issues.

Table 1 Chronology of the development of the accounting legislation of the observed countries in relation to the European Union

Country	Name of the act	The most important events for regulatory development and harmonization with the European framework and IFRS
Poland	Accounting Act	1994 - transposing the provisions of Fourth and Seventh Directives 2000 - partial inclusion of IAS 2004 - adoption of a request of Regulation 1606/2002/EC 2008 - transposing the provisions of Fourth, Seventh and Eighth Directives, as well as Directive 86/635/ EEC and Directive 91/674/ EEC 2013 - partial transposing provisions of Directive 2013/34/ EU 2016/2017 - transposing provisions of Directive 2013/34/ EU, Directive 2014/56/ EU, Directive 2014/95/ EU
The Czech Republic	Accounting Act	1993 - transposing the provisions of Fourth and Seventh Directives 2003 - transposing the provisions of Fourth, Seventh and Eighth Directives and adoption of Regulation 1606/2002/ EC 2010 - precise application of IAS/IFRS 2015/2016 - transposing the provisions of Directive 2013/34/ EU 2017 - transposing the provisions of Directive 2013/34/ EU and Directive 2014/95/EU
Slovakia	Accounting act Decree	2002 - transposing the provisions of Fourth, Seventh, Eighth Directive and adoption of IAS/IFRS 2005 - application of Regulation 1606/2002/ EC 2014 -transposing the provisions of Directive 2013/34/ EU 2016 - transposing the provisions of Directive 2013/34 /EU and Directive 2014/95/EU
Hungary	Accounting Act	1991 - partial transposing provisions of Fourth Directive 2000 - transposing provisions of Fourth, Seventh and Eighth Directive 2015 - transposing provisions of Directive 2013/34 EU
Romania	Accounting Act Orders of the Ministry of Public Finance	1991 - partial transposing provisions of Fourth and Seventh Directive and adoption IAS 1999 - adoption of Order of Ministry of Public Finance No.403 on the application of Romanian's GAAP that are in line with Fourth Directive and IAS 2001 - adoption of Order of Ministry of Public Finance No.94 on transposition of provisions of Fourth Directive and the mandatory application of IAS for the prescribed entities 2012 - adoption of Order of Ministry of Public Finance No. 881 on expanding the scope of mandatory application IAS/IFRS 2014 - adoption of Order of Ministry of Public Finance No 1802 transposing of provisions Directive 2013/34 EU 2016 - adoption of Order of Ministry of Public Finance No 1938 transposing of provisions Directive 2014/95 EU
Bulgaria	Accounting Act	1991 - changed form and content of financial statements 2001 - transposing of provisions of Fourth, Seventh and Eighth Directives and application of IAS 2007 - harmonization of Law and national standards with IFRS 2015 - transposing of provisions Directive 2013/34 EU and Directive 2014/95/ EU

Source: Adapted from information on the accounting systems of analyzed countries published through websites of national professional organizations, IFRS Foundation and scientific papers and professional publications

In the European Union, over the period of thirty years, the regulation of financial reporting has been based on the Fourth (Directive 78/660/EEC) and the Seventh (Directive 83/349/EEC) Directive. During this period, the Directives were amended several times, but were not subjected to a detailed revision. However, new disclosure requirements and new valuation rules, primarily in the field of accounting at fair value, burdened the existing regulations, making the Directives become too extensive. Another problem related to the application of these standards was the large number of options and the difficult comparison of the financial statements of different countries. The regulations became burdensome and complex, which was particularly evident in the case of small and medium-sized enterprises, as it was stated in a 2008 release, the essence of which is described as "Think Small First". Considering that over 99% of European companies belong to the category of small and medium-sized enterprises, a need for a regulatory reform in the field of accounting has arisen. The reform needs to be in accordance with the Small and Medium-sized Enterprise (SME) Development Strategy 2020. This strategy aims to achieve a sustainable and inclusive economy, with the improvement of sources of financing for this sector. This resulted in the adoption of the New Accounting Directive (Directive 2013/34/EU) on 26 June 2013. The changes in EU regulations are motivated by the creation of an incentive environment for the development of the small and medium-sized business sector, which implies the reduction of the administrative burden and the costs of financial reporting. With the new reclassification of the entities, it is expected that more than 90% of the entities will be classified into a micro group, that is, over 99% in the group of small and medium-sized entities. This will enable them to use simplified procedures in financial reporting.

The Directive seeks to fully harmonize financial reporting for small and micro entities. This is achieved through the reduction of options and necessary disclosures for the real and fair presentation of the operations of these entities, while taking into account the needs of users in individual national economies. The members can set additional requirements for medium and large entities. The result of such regulation is greater compliance at the lowest level, and also at the highest level, to which IFRS applies.

The following table shows the criteria for classification of the entities according to the New Accounting Directive and the national accounting criteria of the analyzed countries. Entities belong to a particular category if two of the three stipulated criteria for the current and previous reporting year are met.

It can be perceived that the members of the European Union partially harmonized the criteria for the classification of entities, primarily for micro and small enterprises. Apart from the Czech Republic, Romania and Bulgaria, the remaining members do not have the category of medium-sized entities (Gláserová et al., 2017). Because of that, the thresholds of criteria for large companies are lower than those prescribed by the directive. This undermines the European legislator's intentions regarding the facilitations for SMEs.

Also, differences in the requirements for the preparation of consolidated financial statements in relation to the New Accounting Directive can be noticed. The New Accounting Directive sets out the criteria for classification of entity groups into small, medium and large ones. Small entity groups are exempted from preparing consolidated financial statements, unless there are entities of public interest in the group. The Czech Republic, Slovakia, and Bulgaria have fully harmonized their criteria for the classification of entity groups, as well as the conditions for the exemption with the ones prescribed by the Directive. Meanwhile, Hungary, with the new legal amendment, raised the thresholds for preparing consolidated financial statements to all entity groups that

Table 2 Comparative overview of the criteria for the classification of entities according to the regulations of the analyzed countries and the requirements of Directive 2013/34/EU

	Directive 2013/34 EU	Poland	The Czech Republic	Slovakia	Hungary	Romania	Bulgaria
Micro							
Total Assets in EUR	< 350,000	< 351,799	< 333,025	< 350,000	< 316,416	< 338,310	< 357,404
Net Sales in EUR	< 700,000	< 703,598	< 666,050	< 700,000	< 632,951	< 676,620	< 715,808
Average number of Employees	< 10	< 10	< 10	< 10	< 10	< 10	< 10
Small							
Total Assets in EUR	< 4,000,000	< 3,987,054	< 3,700,278	< 4,000,000	< 3,797,709	< 3,963,953	< 4,090,335
Net Sales in EUR	< 8,000,000	< 7,974,108	< 7,400,555	< 8,000,000	< 7,595,417	< 7,893,906	< 8,180,670
Average number of Employees	< 50	< 50	< 50	< 50	< 50	< 50	< 50
Medium							
Total Assets in EUR	< 20,000,000	-	< 18,501,388	-	-	< 3,963,953	< 319,429,092
Net Sales in EUR	< 40,000,000	-	< 37,002,775	-	-	< 7,893,906	< 338,585,183
Average number of Employees	< 250	-	< 250	-	-	< 50	< 250
Large							
Total Assets in EUR	> 20,000,000	> 3,987,054	> 18,501,388	> 40,000,000	> 3,797,709	> 3,963,953	> 19,429,092
Net Sales in EUR	> 40,000,000	> 7,974,108	> 37,002,775	> 80,000,000	> 7,595,417	> 7,893,906	> 38,585,183
Average number of Employees	> 250	> 50	> 250	> 50	> 50	> 50	> 250

Source: Adapted from information on the accounting systems of analyzed countries published through websites of national professional organizations, IFRS Foundation and scientific papers and professional publications

exceed two of the three stipulated criteria: total assets EUR 20,000,000, net sales revenue EUR 40,000,000 and average employment 250. This is narrower than what the European law is prescribing (Changes to the Accounting Act on Accounting related to the EU directive, 2015) Similar to Hungary, Romania envisages the preparation of consolidated financial statements for large groups of entities that exceed two of the three criteria: total assets EUR 23,681,717, net sales revenue EUR 47,363,435 and average employment 250 (Perrin et al., 2015). According to the Polish Accounting Act, the obligation to prepare consolidated financial statements exists in two cases:

- a) Groups which, in the preceding and current financial years, did not exceed at least two of three of the following thresholds before intragroup eliminations: annual average employment 250, total assets of all group entities EUR 9,162,662; total sales and financial income of all group entities EUR 18,329,755;
- b) Groups which, in the preceding and current financial years, did not exceed at least two of three of the following thresholds after intragroup eliminations: annual average employment 250, total assets of all group entities EUR 7,636,827; total sales and

financial income of all group entities EUR 15,273,536. (Doing Business in Poland Accounting and Auditing, 2016).

Member States have transposed the provisions of the Directive 2013/34/EU into their national frameworks, but there are still some differences between them. Differences are conditioned by the method of integrating the requirements of the Directive, but also by the fact that Regulation 1606/2002/EC on the area of the Union has established a financial reporting system based on two reporting bases, IFRSs and national standards. By comparing the requirements of national accounting frameworks of individual analyzed countries and Directive 2013/34/EU, it can be concluded that there are some differences in terms of the prescribed forms and scope of financial reporting. Poland, Romania, and Bulgaria partially provide a reduced amount of information for small and micro entities. However, the intention to reduce the size of the administrative burden for SMEs has not been fully achieved, as the systems of Poland, Slovakia and Hungary do not recognize the category of medium-sized entities. In addition, in Hungary, small entities have an obligation to prepare cash flow statements, while for a specific category of small entities, the preparation of business reports is also required. The Czech Republic, Romania and Bulgaria are expanding the mandatory set of financial statements with the cash flow statements and the statements of changes in equity. In Poland, the Czech Republic, Slovakia and Hungary, the entities are obliged to prepare the Business Report, that is, the Management Report. Whereas, in Romania, Poland, and Slovakia, the obligation to prepare reports on payments to state authorities, has been introduced. In general, Poland, the Czech Republic, Hungary, Slovakia, Romania, and Bulgaria have introduced the obligation to prepare additional reports stipulated by the Directive, while retaining the forms envisaged by IFRS, apart from Slovakia.

In the last three years, the European Union and the Member States have been actively trying to resolve corporate and non-financial reporting issues, in order to define a framework that would provide more responsible and transparent reporting on socially responsible behavior of the entities. In order to increase the transparency and comparability of non-financial information on entities' operations, the European Union, through the New Accounting Directive, introduced the obligation to disclose information on the business model, politics, risks and key performances related to environmental, social, and employment issues, including the protection of human rights, corruption and fraud for individual entity categories. With the adoption of the amendment, that is, the Directive 2014/95/EU, the obligation to prepare a non-financial report for all companies employing over five hundred employees, or whose asset value exceeds EUR 20 million, with a net income greater than EUR 40 million, was imposed. Entities that do not meet the required criteria present the aforementioned information as part of the Business report. Meanwhile, Member States may exclude small and medium entities from the obligation to publish this information. Directive 2014/95 was supposed to contribute to standardization in the preparation and presentation of the corporate social responsibility reports, which could potentially have a positive impact on their coexistence and comparability (Thomas & Maguire, 2014)

In that sense, Member States were obliged to transpose Directive 2014/95/EU into their national law by the end of 2016, which will come into force in 2018. All the analyzed states have fulfilled this requirement.

However, the specifics of national regulations in the field of financial reporting stem from the flexibility and inconsistency of the Directive itself, as well as certain differences

in the transposition of requirements. This will cause differences in accounting practices between individual countries. Namely, there are differences in the scope of application, given that the analyzed countries define differently large entities, as well as entities of public interest, and therefore, non-financial reporting entities. In all analyzed countries, with the exception of Romania, the characteristics and content of the non-financial reporting is identical to the requirements of Directive 2014/95/EU. Also, in all the analyzed Member States, non-financial information is presented in the Business Report or in a separate report, with the exception of Hungary, which does not require the preparation of an independent report. Although in the analyzed countries there is compliance regarding the characteristics, content and form of non-financial reporting, the Directive itself is flexible in relation to materiality of non-financial reporting, which allows for a different interpretation of this term. In addition, the Directive permits the application of various national, international and European reporting frameworks (EMAS, GRI standards, OECD guidelines, ISO standards), which is characteristic of the analyzed countries. The only exceptions are Slovakia and Bulgaria, where the former relies on international and European regulations, whereas the latter applies the act prescribed by the Ministry of Finance (Knežević, et al., 2017). The possibility of applying different frameworks, principles and initiatives in individual countries jeopardizes the coexistence and comparability of the presented information on sustainable development. In the area of the non-financial report auditing, the analyzed countries in accordance with the Directive, require verification that the non-financial report is delivered as part of the annual account, while Bulgaria also prescribes a review of its content. This approach to the regulation of reporting on sustainable development in the Union, and therefore in the analyzed countries, adversely affects the relevance and credibility of the information contained in the non-financial reports of the entities.

3. APPLICATION OF IFRS IN THE ANALYZED COUNTRIES OF CENTRAL AND EASTERN EUROPE

The strengthening of the European Union was reflected in the tendency to raise the competitiveness of the capital markets of European countries, and thereby, to reduce the domination that the US market had in the last decades of the previous century. It was precisely the development of the European single market that required the establishment of a regulatory framework for financial reporting. During the seventies and eighties, efforts were made to harmonize national accounting standards in the area of the community, but without any progress. The solution was offered in the form of developing a completely new set of standards, or accepting the IAS/IFRS. This was done by adopting Regulation 1606/2002/EC. This Regulation required the mandatory implementation of this set of accounting standards in the preparation of consolidated financial statements for entities whose securities were traded on organized markets in the Member States, with the possibility of expanding their application to other categories of entities, This Regulation required the mandatory implementation of this set of accounting standards in the preparation of consolidated financial statements for entities whose securities were traded on organized markets in the Member States, with the possibility of expanding their application to other categories of entities. The Regulation came into effect in 2005, while certain Member States had allowed the IAS/IFRS voluntary application even before this deadline.

According to ESMA (European Securities and Markets Authority) estimates, around 4,800 European quoted companies prepare their consolidated financial statements in

accordance with IFRS. Meanwhile, over 1,000 entities whose securities are traded on EU stock markets, prepare their individual financial statements, although, according to the European Regulations, they do not have the obligation to do so (Report on Enforcement and Regulatory Activities of Accounting Enforcers in 2014, 2014). In fact, in most Member States, the obligation to apply IFRS has been expanded.

In addition to harmonizing the national accounting frameworks with the current EU Directives, all analyzed countries, as Union members, have the obligation to apply IFRS in accordance with Regulation 1606/2002/EC. Also, the remaining countries have expanded the scope of the application of IFRS, while the implementation of national GAAP is prescribed for all other entities.

Since 2005, Poland has prescribed the mandatory application of IFRS for the preparation of consolidated financial statements of entities in the capital market. This also applies to financial institutions. On the other hand, for individual financial statements, this application is voluntary. Other entities apply the Polish Accounting Standard (PAR). This set of standards has been developed under the strong influence of IAS, but some discrepancies can be observed regarding the accounting treatment of fixed assets, property plant and equipment, non-current assets or disposal groups held for sale, inventory, capitalization of borrowing costs, etc. (Doing Business in Poland Accounting and Auditing, 2016).

The Czech Republic has extended the obligation to apply IFRS in the preparation of individual financial statements of entities whose securities are traded on regulated markets, while for other entities the application of this set of standards is permitted. Entities that do not apply international standards have the obligation to apply Decrees and Czech Accounting Standards. The Czech Republic national standards have been developed by the Ministry of Finance and contain descriptions of accounting methods and procedures that are regarded as the instruments for bookkeeping records. The Czech accounting system is rigid, with the accounting profession having a weak influence on it. Therefore, national standards cannot reflect the economic essence of transactions, as they are not developed under the influence of "best practice", which shows the differences in relation to IFRS. (Miková & Zárová, 2015).

Slovakia requires the preparation of financial statements in accordance with IFRS. The application of IFRS is required in the preparation of individual financial statements of public interest entities, as well as in the preparation of consolidated financial statements of entities that do not participate in the capital market. On the other hand, IFRS application is permitted for all quoted entities that are not considered to be subjects of public interest. Other entities apply Slovak GAAP. IFRS and Slovak GAAP are, to a significant extent, aligned with each other.

Hungary has expanded the scope of application of IFRS, allowing their usage in the preparation of consolidated financial statements of entities that are not participants in the capital market. The application of Hungarian Accounting Standards is mandatory in the preparation of individual financial statements. On the other hand, it is permissible to apply IFRS for the preparation of an additional set of financial statements next to a set prepared according to national standards. However, in Hungary, the application of IFRS is not deeply rooted, as there is not sufficient awareness of the significance of these standards for establishing business relationships.

Starting from 2012, Romania has expanded the obligation to apply IFRS to all entities whose securities are traded in capital markets, as well as to all credit institutions. IFRS

application is permitted in the preparation of consolidated financial statements of unquoted entities, as well as for other entities for which there is no obligation to apply Romanian Accounting Standards. National standards are developed on two levels, and are different in relation to IFRS and IFRS for SME. An extended set of standards are applied by SME that meet the prescribed criteria, while micro entities apply a simpler framework.

In Bulgaria, the obligation to apply IFRS has been extended to all entities of public interest, while other entities can decide between international and Bulgarian National Accounting Standards. The first version of the standards adopted in 2005, came into force in 2008, with the aim of aligning the financial reporting of small and medium-sized entities to the current European regulations, while avoiding the application of complex IFRS. In 2007, national standards were revised in order to achieve greater compliance with international standards. They are considered to be a shortened version of IFRS. (Basheva & Boyanov, 2015).

Based on the above, it can be noted that the observed countries of Central and Eastern Europe achieved a high degree of alignment in accounting regulations in the field of financial reporting for micro and small entities, by transposing the regulations of Directive 2013/34 EU. The higher level of compliance is also achieved in the field of reporting of large entities, by prescribing the application of IFRS. However, there are still some particularities of the national regulatory frameworks that are conditioned by:

- the differences in the classification of entities into individual categories, which affects the selection of the reporting base;
- the prescribed volume of financial reporting for individual entity categories;
- the prescribed scope of IFRS application;
- the specifics of national GAAP;
- the differences between national GAAP based on the New Accounting Directive that creates room for differences between standards of the analyzed countries, by providing different options, but also allows distinctions to exist in relation to IFRS (Obradović & Karapavlović, 2015).

In the area of non-financial reporting, the analyzed countries have mostly harmonized the regulations with the requirements of Directive 2014/95 EU. However, due to the flexibility of the Directive, the final outcomes of the application of national regulations regarding comparability and transparency of information on sustainable development have been brought into question (Stojanović-Blab et al., 2016, p. 1353).

CONCLUSION

In the last few years, the European Union has innovated accounting and financial reporting regulations in order to make this process more efficient for all entity categories. The new regulation should ensure less administrative burden and lower reporting costs for SME, with adequate information quality for the needs of the users. This is achieved by prescribing minimum requirements, while Member States can extend those requirements with national regulations. On the other hand, the new regulation should also enable greater transparency in reporting on corporate social responsibility and on payments to state authorities for large individual enterprises and entity groups. Furthermore, with the development of the Directives, the European legislator aimed to achieve greater compliance with IFRS. This has been achieved partly, as there are still differences between these two systems, primarily in the scope of reporting and the accounting treatment of particular issues.

Since the beginning of the 1990s to this day, Central and Eastern European countries have succeeded in building and establishing accounting systems to support their development in the market conditions of business. The harmonization of national accounting systems with international is inevitable, and the analyzed countries have achieved this, in the previous period, to a considerable extent. This process was also partially initiated with broader socio-political goals related to the membership status of these countries in the European Union. All the analyzed countries, harmonized national accounting and auditing regulations with the regulations of the European Union.

By establishing a regulatory framework, the European Union has achieved certain results in the harmonization of accounting and financial reporting in the Member States, primarily in the field of the application of basic accounting principles, valuation methods, and the form of financial statements. However, by analyzing the basic characteristics of the national regulations of the observed countries, certain specificities can be noticed. These specificities are the result of the differences in the transposition of European and international regulations. All of the analyzed members somewhat simplified their SME regulations in accordance with the New Accounting Directive. But the requirement to reduce the administrative burden for SMEs has not been fully honored, as there are no middle-sized entity categories in some countries. In addition, in almost all countries, the thresholds for mandatory audit are lower than those required by the Directive, which additionally burdens entities who, objectively, do not have the need to hire an independent auditor.

Regarding the applied reporting bases, all countries apply IFRS in accordance with Regulation 1606/2002 EC, while the scope of application of this set is extended to other entities. Because of that, it can be said that a higher level of harmonization has been achieved at the highest level of reporting. However, in all the analyzed countries, a national GAAP is applied for lower levels of reporting. The application of two systems of standards (national GAAP and IFRS), between which there are some differences, is also allowed for those levels of reporting. All of the above indicates that there are still differences caused by the specificities of certain national systems, but also by the specifics of the European Union law itself (flexibility, options, etc.), which negatively affects the comparability and transparency of financial statements in the region.

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HARMONIZACIJA RAČUNOVODSTVENE REGULATIVE NA PODRUČJU EVROPSKE UNIJE SA POSEBNIM OSVRTOM NA EU ZEMLJE CENTRALNE I ISTOČNE EVROPE

Nastanak i razvoj jedinstvenog evropskog tržišta nametnuo je potrebu usklađivanja finansijskog izveštavanja poslovnih subjekata na području Evropske Unije. Evropska Unija putem regulativa i direktiva, kao osnovnih instrumenata, podstiče harmonizaciju nacionalnih računovodstvenih okvira aquaris-om, s jedne, kao i harmonizaciju računovodstvenih praksi između pojedinih zemalja članica, odnosno, zemalja koje pretenduju na članstvo, s druge strane. Zemlje Centralne i Istočne Evrope pripadaju ili su pripadale prema modelu finansijskog izveštavanja tipu mešovite ekonomije, u koji spada i naša zemlja. U ovom radu, sagledaćemo domete određenih zemalja Centralne i Istočne Evrope u harmonizaciji finansijskog izveštavanja u odnosu na aktuelnu regulativu Evropske Unije. Komparativnom analizom ukazaćemo na opšte odlike regulatornih okvira pojedinih nacionalnih ekonomija, čija bi pozitivna iskustva mogla biti primenjena u razvoju računovodstvene regulative naše zemlje.

Ključne reči: *finansijsko izveštavanje, harmonizacija, Centralna i Istočna Evropa, međunarodna računovodstvena regulativa*