

MONDIALIZATION AND GLOBALIZATION'S INFLUENCE ON FINANCIAL REPORT AND ON THE EVOLUTION OF ACCOUNTING TECHNIQUE'S

The world evolves more and more under the pressure of immediate, of the short time, leaving behind the fact that economy and its finances represent a long term movement. The human civilization has uncounted numerous globalization periods more or less comprehensive, benefic or restrictive.

1. THE CONTENT OF THE GLOBALIZATION PHENOMENON

The problem of socio-economical periodicities is a major preoccupation in economics, in the specialty literature could be found interesting opinions on the major moments of the economy. A graphic proof are the works of the American professor W.W. Rostow, who, from the beginning of the sixties, has underlined the theory of the society's gradual evolution moreover, other outstanding specialists have proven, the objectivity of the economy's gradual evolution, like A. Marschall, J.B. Clark, W.K. Mitchell, C. Menger, Leon Wallras and so on.

The globalization, as a contemporary period of the economical world's evolution, is the direct checkable and motivated expression of economic-financial reason and rationality, having a long term foresight character.

The globalization is an objective phenomenon specific to human society and to some extent lawful enrolling in periods, each period having its own specific and common elements. The common element is represented by the need of finding new markets, by the accomplishment of a free trade, by the management of more and more resources for the economic-financial development.

Together with the goods ideas, concepts, philosophic systems, cultural financial-monetary models have traveled with, on the long term has had an important eco-social general impact.

Globalization represents a tendency consisting in world's rearrangements with the purpose of surpassing the old order's limits, having an integrated character of the successively processes which have become obvious in the financial-monetary-accounting area. Contemporary economics, at an unprecedented complexity level are being involved in a global accelerated process, having to respond both to the citizens, nation's desires and to the environmental constrains and limited resources.

In this context great American enterprises have become entities with global challenge, most of them being on three different economical spaces: U.S.A. 's, Europe's and Far East's. The competition environment is harder, the advanced technologies and the invested amounts of money in scientific research have an important role especially through mergers, acquisitions and the "joint-ventures" firm, foundation, consortiums in which there are foreign companies as partners have been founded with the target of modern technologies interchange, scientific research services and the development of commercial networks and chains.

In the present stage of globalization is **necessary a new economical development cycle** in which monetary theories which prove their limits of inefficiency must be reevaluated.

Another fundamental element of this stage consists in the **state's rediscovery** as social unity's organization, the adjustable state, the player state and not the economical activist state. The contemporary realities impose the acknowledge of the state's law and his obligation to interfere in economy, as part of development and globalization problems solution, as well as

the emergency of creating a new global institutional environment helping with the global market's operation and with the abolishment of differences induced by it. In the same time, the rediscovery of the state's role helps to the rehabilitation of the public sector and its social utility.

An important element in the globalization is **the awareness of the importance of the relation humans have the environment natural economic-financial development's limits.** Climatic changes, natural phenomena's violence pollution, erosion, deforest, destruction of the ozone is undeniable realities that determine the limitation and markup of resources, accentuation of acquisition difficulties, and they all generally limit economical growth, diminish economic-financial form's performance, and facilitate the inequality and shifting on regional and global plan.

The last decades have brought major changes to the reality and concept-making of globalization. French people speak about mondialization, as the enforcement of American capital's interests and the British speak about globalization as the supremacy of financial speculation model and of financial extreme mobility capital's.

In this mission, the national economies are investments; the destabilization becomes a condition the distance government of monetary type is settled as ideal, the most powerful has the most capital and because of that gets to name the rules of the economic-financial game.

The economy becomes more aggressive the inter-state conventions are primary economical evolution being towards "off-shore" economy the result leading to the learning's of the market and the society's loss.

The globalization's decisive components are industrial restructuring and changes induced by it in economy's whole capital and international financial-monetary changes; world-wide trade, population's and working market's migration.

This type of complex containment is exhibited on the whole in many globalizations stages starting from the XV century characterized by the discovery of a new geographical area, new findings related to earth's position in the solar system. The specialist's have afterwards limited other stages¹, reaching the present one characterized by the strong development of high technologies, alert dynamic of telecommunications cosmic space explorations, economical bloke arousal.

From the globalization's content and evolution we can deduce some of its understanding levels²: 1) relations between economy, society, institutions, problems and global power management; 2) classified piercements and pragmatic stakes; 3) the identity of specific agents; 4) strategies and foresight.

The globalization is a system of relations which are integrated in the highest level and remains permanently open. The exclusion from the system is an exception and the entry is free, as the whole is destined to absorb the extreme benefic and failed variation, even if these present are party's option.

The institutions specific to globalization are: World Bank Group, Internationally Monetary Fond, World Commerce Organization developed country group (G7/8), World Health Organization.

Obviously, from the institutional perspective the globalization is a desideratum which can become concrete sooner or latter depending on the agent's or globalizations real player's interests and on the solution of the global variability problems.

2. MULTINATIONAL COMPANIES-ECONOMICAL AGENTS OF GLOBALIZATION

¹ R.Robertson, "Globalization", Sage, London, 1992

² Marin Dinu, "Economy and globalization", in Economy, seventh edition, Economic Publishing, Bucharest, 2005

In the conditions of contemporary economy, mondialization phenomenon is more stressed being seen more often in multinational companies' existence and function which has a powerful force competing with that of some developed countries.

Multinational companies are gigantic firms that outlay multiple and diversified economical activities beyond the national borders, making a world economical subsystem. They have initially been created, mostly in industry, but have rapidly extended in almost all big areas of the contemporary economy (trade, mostly services, banking-financial area, agriculture, investments, and so on).

The multinational company is a powerful reality of contemporary economic sight, the main actor of the globalization process of the economical activity, especially of the trading and financial-monetary. **Generally**, the multinational company is the generic term by which are regarded all the private and public entity whose activity is carried out by means of creating outside the national territory where it has its central center. **More specifically**, the multinational company has its headquarters in a certain country and carries out its activity through brand offices and subsidiaries which are under its control based on a world strategy.

A multinational company can be characterized by: the existence of some subsidiaries as production and trading units, in different countries; tight relations between subsidiaries regarding technology, financial operations related to supply-retail, scientific-research and implementation, efficiently criteria's priority on the whole by comparison with the other criteria's, the subsidiary's capacity to have a greater influence on the other ones by means of a well designed and promoted strategy on a global level.

The multinational companies have decisively influenced the world division of work through: 1) dislocation, what is the movement of a production unit from one country to another based on comparative advantage; 2) multinationalization, that is the progressive development of a company's, financial groups activity by the implementation of subsidiaries outside the country, based on a world scale strategy in the same time, the subsidiaries are the direct product of world economy liberalization, which was applied through a network of conventions which developed often the second world war.

Multinational companies are powerful economical centers in now days, the main international trade agents. They balance most of the international investments and are at the base of the major international financial-monetary exchanges which amplifies and diversifies the financial information.

Numerous multinational companies reach an activity level which surpasses that of a country, inclusively those with a high level of economical development. Around 500 multinational companies control 70% of the world trade and 1% of the multinational companies have in their propriety half of the total number of share's front direct foreign investments.

In many cases, the economical structures concentrations have lead to the formation of groups of societies. **The main reasons** that have generated those groups could be the followings: limitation and for markup of the resources in the origin countries, procurement of same competitive advantages, expanding activity and market retail, dispersion of top productive activities, the retail of services.

In this way, the societies groups have concentrated their production factors and liquid capital in order to amplify the most likely to obtain advantages from the outside.

The ways for a company's extension are: the internal and external economical growth. **The internal growth** consists on the making an acquisition of tangible and intangible assets necessary for the particular activity, by means of self finance or medium and long term credits. **External growth** implies establishing connections with other firms which have the necessary assets targeting the control over them. The external growth has a lower cost, allowing the appearance of the particular group.

From the juridical point of view, the external growth can be obtained by: taking over from the participants, that is the direct acquisition of financial titles, obtaining financial titles by merger-absorption.

The external growth is made usually by horizontal concentration, vertical concentration, conglomerate concentration that is enterprises with different activities collaborating taking into account a high stability and a risk minimalization.

The groups of societies work as independent judicial personalities but interdependent by participations to the capital, in which the **mother-society** holds over the **subsidiary-societies**.

The dependence relations inside a group can be: **financial**, in the case of the control over the majority of the votes in the boardroom; **contract based** in the case of a settlement with a society on a concession or exclusivity contract or in the case of a settlement with part of the shareholders based on an agreement regarding the naming of the chief executive or agreement by vote; **economical** in the cases where there are economic relations between the societies in the same group.

3. INFLUENCES ON FINANCIAL INFORMATION AND ON THE EVOLUTION OF ACCOUNTING TECHNIQUES

The analyses of multinational companies and of globalization, on the whole, needs the correct understanding of some steps as: the elaboration of the reinforced account, the limits of the reinforced account, sector information.

The elaboration and exposition of reinforced accounts or common accounts implies accounting techniques of reinforcement through which useful information is obtained for the company's need but also for the external users.

Taking into account the financial information content and the users' category, the reinforcement can be approached from the following perspectives³: a) the owners (property concept); b) financial (parent company concept); c) mixed, that is financial and economical (parent company extension concept); d) economic entity (entity concept).

- a) **Owner's perspective** presupposes that the information's beneficiaries are the mother-society's owners in order to know the patrimony they have and what debts they have to pay. In this case, the ownership principle's respected, but is left aside the control of the reality because the minority owners' interests are not taken into account so the obtained information is not authentic.
- b) **The financial perspective**, which is the mother-society's perspective, is generated by the founding of the holding society so this perspective aims to offer information to the main shareholders. In this case, the minority shareholders' interests can be found in the balance sheet as debts and from the profit and loss account are deducted before the net earnings' determination.
- c) **The mixed financial and economical perspective** is benefic for the computerizing of the majority of the shareholders while the majority one are to be found in the balance sheet between the assets and debts.
- d) **The economical entity perspective** operates on the society group as on a whole, grouping the shareholders in majority and minority, both groups having the same significance. The minority's interests are asset elements and the result is divided between the mother-society and subsidiaries.

³ Negrescu Mihaela Diana, "The capitalization of informational valences belonging to the balance sheet", ASE, Bucharest, 2005

The information obtained from the reinforced counts have a double significance :a) they are used for foresight, for the activity's diagnostic, to establish targets and objectives, for the evaluation of the group's and subsidiary's dynamic profitability. For this, to synthesize the information at the group's level implies going over an established and controlled informational network; b)they offer data useful to the external gainers (creditors, financial analysts, partners) referring to the importance, size and group's potential.

The limits of reinforced account are determined by:

- Alteration of the reinforcement perimeter from one period to another;
- Leaving behind some enterprises from the reinforcement perimeter if they don't have an important part by comparison to the target;
- Accounting options chosen for the drawing up and presentation of the individual and reinforced accounts.

Field information is very important for creditors and analysts because it allows them to appreciate the development strategy and the groups result dynamic with multiple activities, offering the base for interfiled comparisons at a world level. In this way opportunities and specific risks of the different areas either geographical or economical are better evaluated.

One aspect of globalization's influence on financial information and on evolution of accounting techniques is the recognition of the international norms on the American markets and of the accounting consort process's results.

European decisions play an important part in that accounting attempt to harmonize. But the IASSB can be become international only if they are accepted on the American markets too; through their outstanding valence and performance IASB can be accepted and recognized officially by SEC (Stock Exchange Commission) as American stock market adjuster.

Although it has representatives from all over the economical-financial world, IASC, influenced by the discussions with IOSCO tries to harmonize IAS rules with US GAAP. There has been a lot of insistence but SEC continues to oblige the non-American firms whose accounts are elaborated as per IASB either to present the accounts accordingly to US GAAP, either to create a chart with the accounting results and assets obtained after applying US GAAP.

The accounting harmonization process' result carried out by IASB and the European Union can be correctly evaluated through careful analyzing the accounting situation of companies from different countries, meant to show the diversity of the used accounting measurements. For this, various methods could be used, as "Herfindhal Index" (H). This value can be determined as follows:

$$H = \sum_{i=1}^n p_i^2 \quad \text{in which } p_i = \text{method's used frequency;} \\ n = \text{the number of used methods.}$$

Considering comparable 2 enterprises which appeal to the same accounting method, we are not interested in the nationality of the enterprise. So, one value of the Herfindhal Index close to zero shows an infinity of used methods with the same frequency and a value close to 1 shows one used method.

In 1988, other specialists suggested "I Index". This takes into account the nationality of each firm and can be calculated in the case of a reduced number of countries, in this way:

$$I = \sum_{i=1}^n \prod_{j=1}^z p_{ij} \quad P_{ij} = \text{the frequency of "i" method in "j" country;} \\ \prod_{j=1}^z = \text{the number of used methods;}$$

Z=the number of countries

Also, the “Adjusted Index” (I) or the Hermann-Thomas index can be calculated⁴:

$$I^* = I^{1/(Z-1)}$$

This index allows estimation of the uniformity level of accounting measurements, on 217 European enterprises. It shows a high harmonization in the case of the operations and a reduced one in case of stocks, goodwill accounting.

These studies show the evolution towards harmonization of consolidation elements, of dealing with the conversion differences and of the expenses on research- development. All these imply the essence, quality, speed and performance of the financial information, which influences more and more the fulfillment of economical strategies at a national global level.

BIBLIOGRAPHY

1. Alexander David, Britton Anne “*Financial Reporting*”, 4th edition, International Thomson Business Press, 1996.
2. Ali Eden “*General Informatics*”, Sofitech Publishing, Bucharest, 1997.
3. Blake John Oriël Amat “*European Accounting*”, Pitman Publishing 1994
4. Casta Jean-François Bernard Colasse (coord) “*Juste valeur. Enjeux techniques et politiques*”, Economica, Paris, 2001.
5. Dinu Marin “*Economy and globalization*” in Economy, Seventh edition, Economic Publishing, Bucharest, 2005.
6. Dutescu Adriana “*Guide to understanding and applying the International Accounting Standards*”, CECCAR, Bucharest, 2001
7. Elliot Barry, Elliot Jamie “*Financial Accounting and Reporting*”, 4th Edition, Financial Times, 2000.
8. Feleaga Niculae, Liliana Feleaga “*Regulation and practice of account reinforcement*”, CECCAR, 2004.
9. Feleaga Niculae “*Accounting treaty*”, Volumes I, II, III, Economic Publishing, Bucharest, 1999, 2000.
10. Friedman Thomas “*Lexus and the olive tree. How to understand globalization*”, Fundatia PRO Publishing, Bucharest 2001.
11. Ristea Mihai Corina Dumitru “*Financial Accounting*”, Margaritar Publishing Bucharest 2002.
12. Stiglitz Joseph “*Globalization. Hopes and disillusions*”, Economic Publishing, Bucharest, 2003.
13. xxx “*International Accounting Standards 2002*”, Economic Publishing, Bucharest, 2002.
14. xxx “*IASB. International Standards for financial report*”, Modified text in 2004.

⁴ D.Hermam, W.Thomas, “**Harmonization of accounting measurement practices in the European Community**”, Accounting and Business Research, volume 25, 1995