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FINANCIAL REPORTING IN THE CONTEXT OF THE APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

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Abstract: *With the help of IFRSs, any entity can present and prepare its financial statements on the same basis as any other entity in any state that applies IFRSs. Comparing financial data is much easier than applying different accounting standards. Extending the scope of IFRS seeks to standardize quality financial reporting around the World. Furthermore, the IASB argues that the development of International Financial Reporting Standards aims to ensure a unique set of high-quality accounting standards that help eliminate barriers that may arise for corporations wishing to access foreign capital markets and of investors looking for investment opportunities internationally.*
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In the interest of the International Accounting Standards Board (IASB), there is currently a comprehensive set of globally applicable accounting standards designed to meet the public interest that provides users of financial, accounting or tax information with a view to generally through which the reporting economic entities provide information of high quality, transparent and comparable over time or in relation to the financial statements of other entities in similar fields.

Thus, the IASB has developed and promoted IFRSs in order to harmonize and converge national financial reporting legislation, which is applicable when preparing and presenting financial statements for general purposes by reporting economic entities, especially as they are profit-oriented.

The IASB interest was generated by the fact that the financial statements prepared by the reporting economic entities in several countries of the World are similar in terms of form but have major differences in terms of content. The differences in the content of the financial statements were motivated by the existence of many economic, social and legal factors, but also different approaches to the categories of users of financial information - accounting and their interests.

Thus, the IASB sought to ensure that the financial statements prepared under IFRSs meet the common requirements and needs of users of financial and accounting information and enable them to make efficient and timely economic decisions leading to the economic development of the reporting entity and thus to the economic growth of the state.

IFRS provides the general conceptual framework for preparing and presenting financial statements governing unitary application at the global level. However, IFRSs allow for a series of events and transactions the use of differentiated accounting treatments thus fulfilling the IASB objective of "requiring similar transactions and events to be accounted for and reported in a similar manner and different transactions and events to be accounted for and reported differently both within an entity over time and between entities" (IFRS, 2015, A15).

Currently, the general reporting framework applicable at national level is Order 1,802 of December 29, 2014, for the approval of the Accounting Regulations on individual annual financial statements and consolidated annual financial statements, published in the Official Gazette no. 963 of December 30, 2014 with subsequent amendments, as a result of harmonization and convergence of national legislation in the specific field with European legislation and IFRS, and "the need for harmonization, convergence and uniformity in accounting, imposed its normalization. In this way, the objectives, concepts, methods, rules and procedures regarding the production and use of accounting information were formalized and materialized" (Munteanu, et al., 2015, 18).

The general conceptual framework for financial reporting defines the fundamental concepts applicable when preparing and presenting the financial statements of reporting economic entities. The role of the general conceptual framework lies in the following attributes:

- supports the IASB in reviewing or developing new IFRSs;
- helps the IASB to continuously promote the harmonization and convergence of accounting regulations, rules, procedures and standards

regarding the preparation and presentation of financial statements, thus achieving a reduction in accounting opportunities limited mainly to those permitted by IFRS- hate;
- provides assistance to public authorities involved in the procedure for developing national standards;
- provides assistance to practitioners involved in preparing and presenting IFRS financial statements, and provides alternatives and advice for cases not covered by IFRS;
- supports financial auditors in formulating opinions on the assessment of the compliance of financial statements with IFRSs;
- helps users to understand and interpret the information provided by IFRS financial statements.

The general conceptual framework of financial reporting is focused on the following aspects:

"(A) the purpose of financial reporting;

(b) the qualitative characteristics of the useful financial information;

(c) the definition, recognition and measurement of the structures on the basis of which the financial statements are drawn up; and

(d) the concepts of capital and capital maintenance" (IFRS, 2015, A23).

The central pillar of the overall conceptual framework of financial reporting is its objective, which measures the importance, role, purpose, usefulness and benefits of financial reporting in accordance with the provisions of IFRS. The objective of financial reporting in the context of IFRSs by reporting economic entities is to make available to users in various categories such as investors, borrowers, creditors, a set of useful financial information characterized by relevance, utility, opportunity, on on the basis of which those users may take decisions of major importance concerning the "purchase, sale or holding of equity and debt instruments and the provision or settlement of loans" (IFRS, 2015, A25).

As a rule, users of financial information expect that the decisions taken will have positive effects on the areas in which they operate and will lead to significant economic growth on the reporting economic entity they lead. However, users must not neglect the external factors that are often generated by the political, social and even economic environment at national, European or global level.

Through financial reporting, external users of financial information have the opportunity to estimate the value of the reporting economic entity, but can obtain valuable information on both the economic resources available to the reporting economic entity and the financial obligations it has.

Based on information on the economic resources and obligations of the reporting economic entity, internal users can conduct a comprehensive analysis to establish the strengths of the reporting economic entity while identifying its vulnerabilities by calculating a set of relevant indicators focused on liquidity, solvency and prospects. get future cash flows. In the same context, users of financial information can evaluate the financial performance of the reporting economic entity from the perspective of the profitability of the economic resources involved within an economic cycle.

Financial performance can take several forms, among which we mention: it can be approached through events and transactions highlighted in accrual accounting; or by reflection in previous cash flows.

The usefulness of the financial information provided to users through financial reports is in a relationship of direct dependence with their quality. Moreover, the financial statements often contain information regarding the management strategies of the entity, but also the perspectives of the reporting economic entity.

Financial-accounting information must be of good quality, whether provided to users through financial reports or other sources, but there are limitations for reporting economic entities from the perspective of providing useful financial-accounting information, as their quality is often connected. directly to the cost of obtaining them, more precisely, its cost must not exceed the benefit that a financial-accounting information can generate. The ability to use financial information is given by its relevance, but it can be amplified if that information is comparable, timely and intelligible.

From the above, it can be seen that most categories of users of accounting information are interested in knowing information about:

- the volume and structure of the company's assets;
- liquidity of these assets
- financial structure
- the risks that the company assumes.

All this information is provided by the financial reports that define the financial position of the company at a certain time (half-yearly or annually) and by the accounting policies established by the managers of the entities.

Certainly, most users of accounting information are interested in knowing whether the entity ensures the continuity of its activity or is in a position to close the business.

We consider that we can appreciate the continuity of an entity's activity when it is in a financial equilibrium, a balance generated by the fact that for the financing of long-term assets it is necessary to use long-term financing sources (equity), and for financing short-term assets it is necessary to use short-term financing sources.

The quality of financial reporting and the benefits of improving it in order to ensure comparability of information, improve the transparency of financial information, harmonize internal and external reporting, create a common accounting language, or reduce information asymmetry are often discussed, but the implications are much deeper and broader. Financial reporting can be associated with the communication term. Financial reporting is a practical communication exercise, not just a theoretical or academic term. Thus, quality financial reporting, ensured by the application of IFRS standards, benefits the entire economy by increasing international business, encouraging foreign investors to make investments, increasing foreign capital flows and developing capital markets.

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