



# Regulatory of Accounting

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# Regulations:

- × General regulations:

  - + Commercial Law

- × Specific regulations:

  - + NAS for SMEs /National Accounting Standards for Small and Medium Enterprises/

  - + IAS

  - + IFRS


  - + IFRS for SMEs


## NAS for SMEs :

- accepted by the Council of Ministers of the Republic of Bulgaria;
- applied by enterprises that do not necessarily apply IAS;
- all companies that are created in the current year;
- applied by companies, which fulfilled the following criteria:
  - a) Net value of assets is less than 8 million leva
  - b) net sales revenue - less than 15 million leva
  - c) staff for the previous year – 250

# IAS and IFRS

**International Financial Reporting Standards (IFRS)** are principles-based Standards, Interpretations and the Framework (1989) adopted by the International Accounting Standards Board (IASB).

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- They are used to regulate the important substantive issues related to the reporting and presentation of individual sites reporting.
  - Objective - equal treatment of similar situations from work.
  - To increase comparability between fine. statements and the reliability of information in them.



IFRS are used in many parts of the world, including the European Union, Hong Kong, Australia, Malaysia, Pakistan, GCC countries, Russia, South Africa, Singapore and Turkey. As of 27 August 2008, more than 113 countries around the world, including all of Europe, currently require or permit IFRS reporting. Approximately 85 of those countries require IFRS reporting for all domestic, listed companies. In addition, the US is also gearing towards IFRS. The SEC in the US is slowly but progressively shifting from requiring only US GAAP to accepting IFRS and will most likely accept IFRS standards in the longterm.

# IAS and IFRS:

In Bulgaria must be applied by:

- All Limited liability companies
- Public Companies
- Banks
- Insurance companies
- Pension companies
- Investment companies
- any other entity that has chosen to implement these standards

# Standard-setting process

International Financial Reporting Standards (IFRSs) are developed through an international consultation process, the "**due process**", which involves interested individuals and organisations from around the world.

The due process comprises **six** stages:

- 1. Setting the agenda**
- 2. Planning the project**
- 3. Developing and publishing the discussion paper**
- 4. Developing and publishing the exposure draft**
- 5. Developing and publishing the standard**
- 6. After the standard is issued**



# *Adoption of IFRS for Use in the European Union*

The EU Accounting Regulation requires that IFRSs be adopted individually for use in the European Union.

The adoption process is sometimes referred to as 'endorsement'. The process is as follows, as described by the European Commission.

- The IASB (The International Accounting Standards Board) issues a standard.
- EFRAG (the European Financial Reporting Advisory Group) holds consultations with interest groups
- EFRAG delivers its advice to the Commission whether the standard meets the criteria of endorsement EFRAG also prepares in cooperation with the Commission an effect study about the potential economic effects of the given standard's application in the EU.
- SARG (the Standards Advice Review Group) issues its opinion whether EFRAG's endorsement advice is well-balanced and objective. The legal basis of this body and its opinion is Commission Decision No. 2006/505/EC 3.

- Based on the advice of EFRAG and the opinion of SARG, the Commission prepares a draft endorsement Regulation. The adoption of the Regulation follows a regulatory comitology procedure with scrutiny, in accordance with Articles 5a and 8 of the Council Decision 1999/468. This means in practice that:
  - ARC (Accounting Regulatory Committee), set up in accordance with Article 6 of the IAS Regulation votes on the Commission proposal. The qualified majority rule applies. If the vote is favourable (which is the case for the vast majority of the standards to be endorsed), The European Parliament and The Council of the European Union have 3 months to oppose the adoption of the draft Regulation by the Commission.
  - If the European Parliament and the Council give their favourable opinion on the adoption or the 3 months elapsed without opposition from their side, the Commission adopts the draft Regulation. After adoption, it is published in the *Official Journal* and enters into force on the day laid down in the Regulation itself.

## Standard-setting process - *problems* ...

Already in 1972 the American scientist Charles Horngren states:  
"The development of accounting standards is a social decision. Standards set limit on behavior. Therefore they must be accepted by those concerned. In a democratic society, adoption is an extremely complex process which requires skillful marketing in the political arena."

About the political nuances in the preparation of accounting standards write and Dale Gerboth. Very accurately, he concludes that "the fundamental issue in accounting is not what income and wealth are, but even how to measure them and how to create rules for their measurement." \*\*

\*\* *Filipova, Fanya, Accounting Theory, Varna, 2009.*

# Conclusion

Therefore, the major problem in establishing the standards is not finding the right accounting solution but to achieve a reasonable and balanced compromise between the conflicting interests of stakeholders of accounting information entities.