THE IMPACT OF GLOBALIZATION ON REGULATIONS AND ACCOUNTING SYSTEMS. DIMENSIONING AND QUANTIFICATION.

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THE IMPACT OF GLOBALIZATION ON REGULATIONS AND ACCOUNTING SYSTEMS.
DIMENSIONING AND QUANTIFICATION.

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ABSTRACT

In this study we concentrate our efforts on the consequences that the existence and manifestation of globalization have on various domains of human activity. The impact of globalization will be analyzed from the perspective of the cause-effect relationship, with a special emphasis on the consequences of the phenomenon. A special part of our scientific demarche is reserved to the accounting sphere. We try to create a new dimension on the basement of relations between globalization and accounting systems. Globalization represents a new dimension of our world. The accounting domain is today into real connections with phenomenon of globalization. In this context, our main objectives are represented by the research demarche to create a model of quantification the impact of globalization on regulations and accounting systems. We believe that such a model of quantification could be real and its contributions to scientific development will be considerable.

Keywords: Globalization, International Accounting, Impact, Quantification.

1. INTRODUCTION

Our scientific demarche is concentrated on the consequences that the existence and manifestation of globalization have on various domains of human activity. The impact of globalization will be analyzed from the perspective of the cause-effect relationship, with a special emphasis on the consequences of the phenomenon.

The impact is defined from a conceptual point of view as the influence or the action exerted by an idea or an entity, etc. on a person or an events (Romanian Academy, 1998).

Considering this approach, we can affirm that the impact of globalization represents the power and proportion of influence that the manifestation forms of the globalization have on the economic, social, political, cultural and technological environment. Most of the times, the effect of globalization is quantifiable.

The causes that we will consider are: the multinational companies, the companies quotable on the capital market, commerce with goods and services, electronic commerce, the access to technology, inter-human communication in the economic environment. The most important consequences that will be analyzed, taking into consideration their quantification and evolution are: gross domestic product, regional distribution of international commerce, geographical area attractiveness, the turnover of the multinational companies and their positioning in geographical regions, life expectancy and illiteracy, living conditions in Europe. We do not claim that we have enumerated the whole ensemble of causes and consequences of globalization that could have made the object of our analysis.

2. LITERATURE REVIEW

It is natural for us to ask ourselves why does the quantification of globalization impact present importance and to whom? In the previous chapters we affirmed a well-established thing: we are participants in a global society in which the manifestations with a local character are in interdependence with global evolutions. We estimate that it is not sufficient for us to discuss and debate the globalization phenomenon, but we have to analyze it at least from the perspective of the major domains of human
activity - economic, social, political and cultural - as well as from the perspective of each country participating in world economy.

In order to fundament decisions, but also for scientific cognition it is no longer sufficient to present statistic data and comparative information at the level of a state, and in the best case achieve a comparison with other states at the level of some indicators. Credibility and accuracy tend to be possessed only by information and statistical data that present comparisons and references at global level, being based on principles, rules and methodologies at least compatible, if not similar.

We believe that for a state, not the evolution in time of the major macro economic indicators is relevant - even though this way the basics of a historical economy are built, but the reference to global dynamics and especially, reference to the top performance recorded in each domain. For instance, it is not relevant to emphasize only that the GDP per inhabitant of Romania has grown with 3.5% in year X compared to year X-1, but we have to relate the level reached by this indicator to the global situation and to the one recorded by the states with greatest GDP per inhabitant, on global level. Thus, in the world of science and in the practical field substantial efforts are undertaken in order to develop systems of indicators for the quantification of the amplitude and intensity of the globalization phenomenon, from an economic, political, cultural and social point of view. Such indicators enable accomplishing real and viable comparisons on global level, as well as developing predictions and prognoses for the upcoming periods.

OECD wished to achieve such a desideratum. For year 2005 the organization announced they would publish a “Manual for the Evaluation of the Degree of Globalization of Economies”, that would present a set of indicators with the purpose of expressing the degree of integration of national economies in world economy. When we have the necessary data at our disposal, we will develop a profound analysis of the new approach regarding the quantification of the globalization impact on national economies.

At the moment, we have at our disposal a globally well-established system of quantification of the globalization impact. This is the Kearney Synthetic Index of the economy globalization and the index of cultural globalization, in proportion to which, according to the available statistical data, more than 60 states are classified. This indicator is annually published by the Foreign Affairs magazine together with the consultancy firm A.T.Kearney.

The Kearney Synthetic Index of the economy globalization represents a composite indicator which is based on four major categories of sub indexes, like the following (Kearney, 2005):

1. The economic performance
   a. The weight of the foreign trade in GDP
   b. The weight of the investment portfolio (annual influxes and return flow) in GDP
   c. The weight of annual flows of foreign investments entirely to GDP
   d. The weight of incomes generated by investments (annual influxes and ebbs) in GDP

2. The performance of the population’s living standards
   a. Minutes of international telephonic calls per inhabitant
   b. The weight of international tourists (influxes and return flow) in the entire population
   c. Personal international fund transfers

3. The technological performance
   a. The weight of internet users in the entire population
   b. The weight of internet providers in the entire population
   c. The number of internet servers with high safety standards

4. The political performance
   a. The number of international organizations in which the analyzed country is a member
   b. The participation to UNO peace keeping operations
      1. the weight of trained staff in the entire population
2. the weight of financial input in GDP
c. The number of international ratified treaties in force
d. The weight of governmental transfers in GDP

The calculation methodology of the index starts from dividing, in general, the indicators presented above with GDP or the number of population. This modality contributes to evaluating the extent of globalization of an economy, varying on the analyzed country’s own capacity and not on the country’s absolute contribution to global economic integration. Determining these relative indicators is done annually starting from the maximum level of each sub index equalized with 1 and reporting all the other states to this maximum level by fractioning. The score given as a result of annual determinations is multiplied by a “scale factor”. In the presented situation for year 2004, the basic year is 1998 and it was given the value of 100 (for methodological simplification). The scale factors estimated for each indicator in the following years represents the percentage increase/decrease of the determined score related to the maximum one. Thus, the comparability of the data is real as much between countries on the level of the same year, as between the annual modifications of the individual indexes or of the dynamics of annual economic globalization of the country analyzed. The final score (the composite index) is obtained by summing up the four scores of the sub indexes, weighted this way: ½ for the economic performance component and ¼ for each of the living standards performance component, the technological performance component and the political performance component (Kearney, 2004).

3. THE IMPACT OF GLOBALIZATION ON THE ACCOUNTING REGULATIONS AND SYSTEMS

As we mentioned in the previous chapter of this article, between the international accounting systems there are series of differences, even though any national system is subscribed to an international vision. If it were for us to put these differences into a certain order, we would note that we are actually dealing with an ensemble of differences that are characteristic for the most important international accounting systems.

Substantial efforts are carried out on global level in order to accomplish an international accounting convergence/harmonization. But why this need for convergence to a unique accounting system? First of all because there is a considerable need for financial-accounting information amongst the economic entities, need developed on the foundation of economic consequences, most of the time negative, of unfounded decisions.

The accounting structure theory and policy is one thing, but the reality that economic entities, especially multinational companies, have to deal with is a completely different thing. For instance, after the acquisition of the British Rover cars builder, in 1994, by the German BMW builder, the performance of the unit was measured according to German accounting settlements, much more restrictive. Information provided by financial reports was applied in the decisional process of the BMW group. The publication in 1998 of a loss of 620 million pounds caused panic and anxiety concerning the further running of the Rover manufacturer. Nevertheless, attention was called to the idea that the results obtained by Rover according to the British accounting settlements (that actually were published afterwards), wouldn’t have been so dramatic. Things didn’t improve in 1997 either, considering that, according to British settlements Rover had obtained a profit of 19 million pounds, and according to German settlements, had recorded a loss of 91 million pounds. The table below illustrates a comparative situation of the entity according to British and German settlements.
FINANCIAL STATEMENTS OF ROVER COMPANY

<table>
<thead>
<tr>
<th></th>
<th>Rover results according to British regulations (million £)</th>
<th>Rover results according to German regulations (million £)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994</td>
<td>279</td>
<td>UNPUBLISHED</td>
</tr>
<tr>
<td>1995</td>
<td>(51)</td>
<td>(163)</td>
</tr>
<tr>
<td>1996</td>
<td>(100)</td>
<td>(109)</td>
</tr>
<tr>
<td>1997</td>
<td>19</td>
<td>(91)</td>
</tr>
<tr>
<td>1998</td>
<td>(571)</td>
<td>(620)</td>
</tr>
</tbody>
</table>


Another eloquent example concerning the differences that may occur between the financial results of an economic entity, if the evaluation is made according to incompatible settlements is that of the German company Daimler Benz. In 1993, when the company became the first German economic entity listed at the New York Stock Exchange, a considerable difference was detected between the financial results communicated according to American and German settlements. The impression created by this difference was that the American accounting standards and the German accounting settlements are very different, and the American ones are much more cautious. The comparative situation of the results of the German company Daimler Benz for period 1990-1995 is illustrated in the table below.

FINANCIAL STATEMENTS OF DAIMLER BENZ COMPANY

<table>
<thead>
<tr>
<th></th>
<th>Daimler Benz results according to German regulations (million DM)</th>
<th>Daimler Benz results according to American regulations (million DM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>1.795</td>
<td>884</td>
</tr>
<tr>
<td>1991</td>
<td>1.942</td>
<td>1.886</td>
</tr>
<tr>
<td>1992</td>
<td>1.451</td>
<td>1.350</td>
</tr>
<tr>
<td>1993</td>
<td>615</td>
<td>(1.839)</td>
</tr>
<tr>
<td>1994</td>
<td>895</td>
<td>1.052</td>
</tr>
<tr>
<td>1995</td>
<td>(5.734)</td>
<td>(5.729)</td>
</tr>
</tbody>
</table>


The conclusion that can be drawn from these examples that can certainly be supplemented with others of the same kind is that in the economic field, at a global level, there is an acute need for comparable information. It is not that important or relevant the way that this information is obtained, or the accounting techniques that are used to determine the primary data, but it are very important for the financial-accounting information to be first and foremost comparable. We consider that, at least at the level of multinational companies, at a global level, the financial-accounting information has to satisfy one more quality (other than relevance, reliability, comparability and intelligibility) and that is to be global.

Economic, financial or accounting information has a global character when it has the ability to offer its beneficiaries a general image related to the domain in which the information producing entity develops its activity. When does information have the globality character? When the reference system of that certain
information is compatible with the systems existent globally. Ulrich Beck would define the concept of **globality** as a *reference framework of the approaches*.

We can state that a piece of information benefits from the attribute of globality when it has a *global, general character* (Romanian Academy, 1998). When it has the capacity to contribute to obtaining a synthetic piece of information at a global level. **Globality** contributes in increasing the degree of comparability *in time* and especially *in space* of the financial-accounting information provided by the financial situation of the economic entity. Therefore we estimate globality as a “secondary level” quality of the financial-accounting information and not as a major quality, without diminishing its importance. If we were to situate globality in the context of the other characteristics of financial-accounting information, we would have the situation presented in the chart bellow. Other than the qualities and the characteristics of the financial-accounting information, supporting management decisions of the economic entities requires producing and publishing financial situations capable to offer, more than ever, an accurate image of the position and performances of the entity.

If for the Anglo-Saxons the accurate image could be considered a supreme principle, and for most of the European countries the main purpose of accounting (Feleagă and Ionașcu, 1993) for the global society in which the economic entities develop their activity, the accurate image must be above all the reason of its existence.

The accurate image cannot be mistaken for an exact copy of the economic reality, but it is represented by an image that can be trusted, can be given credit for (Matiș, 2003). To put it another way, the essence of the accurate image provided by the financial situations of economic entities is illustrated by the balance between **credibility** and **trust**. Credibility requires the existence of financial information producers that possess those qualities, attributes and valences that determine the information users to manifest their confidence in financial references of the economic entities.

The producers of the economic information can appear under different forms of organization, usually represented by natural persons. On the level of economic entities, obtaining, processing and presenting the information is implemented „[…]either within accounting compartments, structured distinctively, […] or by authorized legal entities or natural persons that have the quality of authorized accountant or chartered accountant” (Matiș, Mustață and Candrea, 2005). As a matter of fact, the importance of the professional accountant has grown considerably related to the need to ensure a trustworthy accurate image, and the professional reasoning tends to substitute the accounting technique. Because of this reality, in the accounting field ethic has become a concern of the craftsman of accounting life and profession. According to the Oxford English Dictionary there are four major visions in order to define ethics: 1. the science of morality; 2. the principles of morality; 3. a philosophy; and 4. a code (Elliott and Elliott, 2005). We could state that the accounting ethics represents a philosophy of the professional reasoning based on a code of professional conduct.

Also interesting are the qualities an auditor has to meet: integrity, impartiality and independence, professional competence, professional behavior in exerting professional rigor, reasoning and an accurate communication, confidentiality and last but not least to be careful towards the shareholders (owners) (Elliott and Elliott, 2005).

It is well-known that most of the information produced in an economic entity is provided by its accounting system. It can be stated that today we are witnessing a reality according to which “accounting has become the business language” (Ionașcu, 2003). A statute like this compels.

We estimate that the need for comparable information, especially in space, generated by the manifestation forms of globalization is at the basis of starting the process called accounting harmonization or convergence, depending on the approach considered.

Professor Ion Ionașcu identifies a series of causes or elements of the accounting harmonization process, as well as their implications in accounting.
CHARACTERISTICS OF THE FINANCIAL INFORMATION (USEFUL)

Threshold quality

MATERIALITY

RELEVANCE

Informations influence decisions
Predictive value
Confirmatory value

RELIABILITY

Informations provide a faithful and complete representation

Faithful representation
Neutral
Complete
Prudence

COMPARABILITY

Similarity and disparity which could be identifiable and valued

Consistency
Disclosure

UNDERSTANDIBILITY

Significance of informations could be perceive
Users’ abilities
Aggregation and classification


Note: The blue part of this scheme (Globally) represents the author’s contribution to the opinion of Elliott B. and Elliott J
The main identified causes can be synthesized this way:

1. The process of capital concentration in firms with international vocation.
   The purpose of capital concentration is purely financial, that is to improve capital profitableness by dispersing risks into many activities, and its outcome is the existence of the group or the holding. The concentration can be that of the production or financial one and it designates the grouping process of the production means and capital in the same area of control, with the purpose of increasing the advantages that can be obtained on the market.

2. "Mergermania" or "the fusions and acquisitions mania" 
   Today we are witnessing fusions and acquisitions of remarkable economic entities. An eloquent example is the fusion between Deutsche Bank and Bankers Trust, and the outcome was the emergence of the first worldwide level bank, the fusion between Société Général and Paribas (1999), creating the most important French banking group, etc.

3. The financial orientation of concentrations of industrial units (business concentrations)
   The financial logic of these concentrations is often based on the search to obtain a surplus value on short term, through purchasing and selling industrial units.

4. The increasing role of finances in contemporary economy, starting with the last two decades of the twentieth century, has determined changes in the social forces relation, through the domination of financial capital over other forms of capital (Ionașcu, 2003).

To all these causes we can add some other more, which we consider important:
- Multinational companies - their number and the number of branches existent worldwide, as well as their turnover. The statistics present a number of 63,834 multinational companies worldwide, that have 866,119 branches spread all over the world, in other states than the resident state of the "parent company" (UNCTAD, 2004).
- Answering the need of information of the capital and stock market investors.
- The globalization of markets, especially of the financial ones and the growth in size of the economic entities determines the increased need of financing their own entities.
- The orientation of multinational companies to external sources of financing their own activities.

We cannot claim to have mentioned all the causes that motivate the changes and evolutions that occur in the accounting regulations' field, on a national and international level.

All these determining factors have series of effects with direct implications in the national and international accounting systems:
- The need for comparable financial information, obtained in different local contexts.
- The need for sufficient and comparable information concerning the various investment opportunities.
- Determining the statute of accounting in the business field, today known as "business language".
- The need for accounting harmonization (Ionașcu, 2003).

From another point of view, achieving high quality comparability between the financial statements of the economic entities implicitly leads to an increase in the degree of real comparability of the macroeconomic indicators, on national level. Thus, the comparisons that may occur on a state level become more credible, having a proper foundation.

4. THE QUANTIFICATION OF THE GLOBALIZATION IMPACT ON NATIONAL ACCOUNTING STANDARDS

We consider that a particular importance is represented by the possibility of quantifying the impact of globalization on the accounting standards existent on national level. That is why the scientific approaches undertaken in the national and international accounting standards' field have as a final purpose the construction of a composite index to offer us the possibility to quantify and compare the globalization impact in the accounting field.
It is natural for us to ask ourselves: why is such an indicator important? Some arguments to support such an initiative could be:

- the legislative approaches of each country have to be correlated to the real need of regulation, existent at a certain moment;
- the users of the financial - accounting information (especially the existent and potential investors) have the possibility of taking into consideration when supporting the assumed decisions the relationship existent between the manifestations of globalization and the national accounting standards;
- based on the tendencies and predictions established by means of such an indicator, the investors can achieve a general image concerning the normalization of national accounting settlements in the following period;
- the percentage modification of such an indicator, from one year to another, highlights the evolution in time of the stability extent when it comes to national accounting standards;
- the percentage modification of such an indicator, from one year to another, highlights the extent to which the national accounting regulations are affected by the evolutions of the processes of global economy, due to the globalization phenomenon.

Such an indicator does not require a complex calculation methodology, because the complex approaches can sometimes generate calculation or interpretation errors. First of all it must represent a reference base for the financial-accounting information users.

Our suggestions concerning the construction of such an indicator are synthesized below. We will call this indicator **Globalization Impact on National General Accepted Accounting Principles**, and the abbreviation will be GINGAAP.

The GINGAAP index will be based on three major dimensions, and each of them will hold a certain percentage in a total. After developing the indicator and carrying out a case study we will have the possibility to tell the weight of each dimension.

The three dimensions considered are the following:
1. Global economic integration;
2. The connectivity with international accounting principles;
3. The statute of the accounting profession.

Each of these three elements will be dimensioned according to some indicators that we can call sub indexes, proportioned with a certain value depending on their importance in the quantification of the globalization impact on national accounting principles.

The sub indexes that we will use in calculating the GINGAAP index are:

- **Sub index 1**: the number of multinational countries with headquarters in that particular country - their weight in the total of big companies in that country will be determined;
- **Sub index 2**: the number of branches of multinational companies in that particular country - their weight in the total of companies will be determined for that country;
- **Sub index 3**: the number of national quoted companies - the weight of national companies quoted on national capital markets in the total of big companies and the weight of national companies quoted on foreign capital markets in the total of the companies quoted on international markets will be determined;
- **Sub index 4**: international trade - the weight of the international trade in the total national GDP will be determined;
- **Sub index 5**: direct foreign investments - the weight of the direct foreign investments in the total national GDP will be determined;
- **Sub index 6**: companies that apply international accounting principles - the weight of these companies in the total of national companies will be determined;
- **Sub index 7**: adapting the national accounting principles to international accounting standards (IFRS/US GAAP) – this sub index will have a value out of two options - yes or no – without measuring and highlighting the extent of comparability between the national and international referential.
- **Sub index 8**: the number of agreements signed by national professional organisms with similar foreign organisms;
- **Sub index 9**: the number of international organizations in which the national professional organizations are members.

The schematic representation of the composition of GINGAAP index is done below:

**GINGAAP INDEX COMPOZITION**

![Diagram of GINGAAP index composition]

- **Sub index 1**
- **Sub index 2**
- **Sub index 3**
- **Sub index 4**
- **Sub index 5**
- **Sub index 6**
- **Sub index 7**
- **Sub index 8**
- **Sub index 9**

**Empirical data**
In order to validate this index we suggest formulating a null hypothesis (H0), and if this will be invalidated based on the data obtained by calculation of the index, proves that the approach formulated for quantifying the globalization impact on national accounting principles is true. The formulated null hypothesis is - H0: The level of the globalization impact on national accounting principles is the same meaning that it doesn’t show modifications from one period to another.

The problem of the validity of the GINGAAP index calculation system is strongly connected to its capacity to point out the increase or the decrease in the extent of globalization impact on national accounting principles. Plus, a reference base for this index has to be identified in order to make possible ensuring time comparability.

We have to specify that an increase in the value of the index from one period to another mustn’t be understood as representing an increase of the compatibility extent of the national accounting principles with international accounting standards.

For the success of such an index it will be necessary for us to identify the methodological and calculation limits, to then be able to improve our working system and to reduce the risk of error in establishing the index.

In the last stage of our scientific approach it is required to complete a case study in order to implement the GINGAAP index.

5. CONCLUSIONS

Considering that the changes and evolutions that occur in the accounting principles’ domain are based on a primordial element - the need for comparable and compatible, relevant, credible and intelligible information - in the context of achieving a clear image of the economic entities’ position and performances, we can affirm that a unique system of financial reference is needed. We consider that the efforts undertaken by the regulators of international accounting have to be aimed to accomplish a unique reference system of financial reporting, to which all the economic entities with current activities that go beyond national level would subscribe to.

The ensemble of evolutions regarding international accounting regulations has to be characterized through the process of accounting convergence that is to take place at the level of the main international accounting reference systems – US GAAP and IFRS. The adjustment and process of compatibility of the national accounting standards at the request of the international accounting can be called accounting harmonization. Considering that (as we mentioned in the previous chapter) the harmonization represents the efforts undertaken in order to make two elements be concordant, and convergence represents the action of aiming at the same point, we can wittingly state that the process of compatibility of the international accounting standards at the level of financial reporting represents the process of accounting convergence, and the actions undertaken on a national level for the comparability of the local level accounting regulations and the international level references represents the process of accounting harmonization. We are actually witnessing the process of international accounting convergence and various processes of national accounting harmonization.

The accounting through its conceptual content also entails the existence at a given moment of a common, crossing point between the accounting regulations at an international level, fact that in the following period requires the existence of a unique set of standards concerning the financial reporting of the economic entities.

In this context, the function of the financial-accounting information provided by the accounting systems of the economic entities becomes one that’s determining in the evolution of the business field on global level, and an information deprived of the attribute of comparability in space generates the amplification of risk and uncertainty, as much at the level of economic entities, as in financial markets.
In case of the existence of a unique reference system, the risk of error due to the differences between the systems is diminished.

In the process of international accounting convergence IASB plays a decisive part. fact also proved by the number of countries that accept the application of the regulations issued by IASB on national level. On the other hand, the actions and decisions issued by the European Union prove both the acceptance of the international accounting regulations, their credibility, and the fact that accomplishing a real international accounting convergence is needed.

Taking into account the stake existent on international level concerning international accounting convergence, the main opposition against accepting the norms issued by IASB on global level comes from the most powerful financial centre of the world: The New York Stock Exchange (NYSE). The regulation organism of the American capital market (SEC), that has the attribution of accounting regulator for the quoted companies, wanted the American accounting standards to become a reference for global level accounting normalization (Ionașcu, 2003).

But this opposition was diminished through the agreement between FASB and IASB in October 2002.

The fact that there is a close connection between the globalization phenomenon and the accounting domain is a certainty. The arguments that can be brought in order to support this hypothesis are multiple, and we focus our attention on some of them (the arguments presented are based on a certain order, according to importance):

- The need for transparent, compatible and comparable information irrespective of the context of its obtaining;
- The need to fundament the economic decisions on the real basis of financial statements of the companies;
- The principles decreed in stating the objectives of IASB;
- The extent surface of IASB and FASB, due to the great number of members;
- The more and more emphatic competition between economic entities;
- The existent cooperation projects between IASB and FASB, as well as the actions undertaken by different international organisms (EU, IOSCO, IFAD etc.);
- The amendment of the IASB Constitution in March 2002, so that the objectives of the organization would be compatible with the reality of the new global society;
- The need for financing one’s activities that cannot be answered within the boundaries of an administrative confine;
- The global character of the activities developed by multinational companies;
- The number of companies participating on capital markets;
- The idea of the existence of economic markets with a unique character or of economic unions such as EU requires for the participants on this market to act as part of a-financial, accounting, competitive, social, etc. - domain with unique or compatible settlements.

International accounting convergence is turning into a favoring factor in the development of multinational companies, international trade, the capital flows, etc. because the existence of certain compatible reference systems can facilitate obtaining a piece of information that is truly relevant, credible, intelligible and especially comparable, necessary to fundament decisions at any level.

We are probably not the most suitable ones to make judgments of value on the universally accepted things, but we preserve our right to express opinions about them. When it comes to the Kearney Synthetic Index we appreciate that it should be considered, to take into account a 5th category next to the four categories of sub indexes, that is: the regional performance.

We estimate that the regional performance is important because of the regionalization process, with all its manifestation forms and implications, has a definite function in the development of global society. A state which is strongly anchored and integrated in the regional economy and politics fully contributes to its global integration, even if its relations with entities of outside the terms are not as ample and developed.
The regional performance can be dimensioned through the next sub indexes:

- Regional trade - its weight in the entire GDP,
- Foreign investments directly on regional level - the weight of foreign investments coming from the regional states directly to GDP
- International telephone calls - expressed through number of minutes per inhabitant, to the states in the region,
- The internet users - the number of internet users,
- The number of bilateral and regional ratified treaties in force,
- The number of working citizens in the states of the region - their weight in the entire population.

Of course there is a problem concerning the geographical delimitation of the regions, taking into consideration that a country can be considered as belonging to several regions. For instance, Romania may be considered as being part of the Central and South-East Europe region, or part of the European continent, or of the European Union (after the integration), or of the Balkan area. Still, we believe that a clear delimitation of the adherence of each state to a certain geographical region is achievable, and depending on the result of such an approach stands the validity of the new indicator.

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