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Ph.D. THESIS SUMMARY

DEVELOPMENT AND THOROUGHNESS OF GROUPS' FINANCIAL STATEMENTS FROM PUBLIC SECTOR

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INTRODUCTION

The technological and social progress recorded in the twentieth century has increased the organizational complexity, creating a new trend in the business world, trend to which the economic and organizational structures have been forced to adapt. This trend of modernizing the business world has been and is an ongoing process that transformed the economy in an irreversible manner and at the same time significantly. One of the results of these changes was the creation of a new economic and organizational structure - the group of companies. The group of companies is actually an adaptation of companies to the new business environment, a natural reaction to changes in this environment: achieving economies of scale, reducing or eliminating the whole competition or market risk or eliminating the uncertainties that managers of entities usually face (Watts, 1996). The emergence of a new economic and organizational form - the group of companies – generated the need for a different type of financial reporting, reporting that provides relevant information about the position and performance of the new economic structure, namely the consolidated financial statements.

In such conditions, for business environment, the production and presentation of relevant, reliable and comparable financial accounting information, that uses a common accounting language, able to satisfy the requirements of all users of this information, irrespective of their reporting, consolidated or individual has become vital. The existence of several types of financial information users has created different views in which the individual and consolidated financial statements reporting can be seen. The current research on accounting and on the relationship between accounting information and financial market has developed two major perspectives on accounting and financial reporting. One of these perspectives is considered to be purely financial, belonging to investors, the main external and residual users of such information. From this point of view, the accounting and financial reporting have one goal, the substantiation of investment decision making of the participants of the capital market. The second perspective concerns the financial statements as a summary of events that have affected the company over the period for which the report is made (Easton, 1999).

The society in which we live can be characterized as a complex society in which decisions are based on different types of information, information that is intended to be the most credible and transparent. Thus, the financial information is very important for the welfare and development of the society. Stakeholders from the private sector, such as shareholders, investors, creditors, customers, suppliers and other people tend to analyze entity's financial statements prior to any decision. Meanwhile, in the public sector, we can talk about users who are interested in transparency and relevance of information and the quality of services they need. So, we can still state that users of public and private sectors have quite different objectives.

However, things have also changed in the public sector, so in recent years, most OECD countries have introduced a number of important reforms in the public sector accounting system, aimed at improving the management of public services, and increasing transparency and accountability of governments (either centrally or locally). These public sector accounting reforms share a common direction regarding the implementation of accrual-based systems. Thus, the shift from cash-based accounting to the accrual one was the first step that led to the introduction of consolidated statements in the public sector.

In the past three decades, both the public sector accounting system and the financial reporting system have changed significantly. The representative change is the tendency of many countries to bring together the accounting and reporting of the public sector and those of the private sector. The reforms that have taken place lately in the public sector mainly affected the management system, the accounting system and the financial reporting system implicitly. We can say that these reforms (changing from a cash-based accounting to accrual based accounting, financial reporting implementation based on accrual accounting in accordance with generally accepted accounting principles, development of the consolidated financial statements in the public sector), have influenced the modernization of governments accounting, modernization that is actually trying to achieve the convergence with the private sector accounting system. The countries that have been the most responsive and considered leaders of the convergence initiative of the two accounting

systems (public and private) are New Zealand, Australia and the UK, while Continental European countries were reluctant and thus these practices were adopted much later.

Thus, in the context of developing the group of entities, we consider that a topic such as "Development and thoroughness of consolidated financial statements of the group of entities from the public sector" is a current theme both for the international economy, but also for the Romanian one. The main objective of our research is to develop and deepen the topic of consolidated financial statements in the public sector. Therefore, the first step that we want to achieve in our scientific approach refers to the outline of a picture of consolidated financial statements in the private sector, but also in the public one, trying to emphasize what have influenced the copying of practices from the private sector to the public sector.

RESEARCH OBJECTIVES

From the main objective of this paper, namely the creation of an overview of public sector consolidated financial statements, also detach six secondary objectives. These goals relate to: (1) shaping an image over time on the emergence, evolution, need, and purpose of these statements in the groups reporting practice in the private and public sector; (2) shaping theoretical background that underline the application of these consolidation practices; (3) delineation of current state of knowledge on the public sector consolidated financial statements; (4) presentation of accounting regulations on consolidated financial statements of public sector at international level, but also measuring the convergence between the standards for the public sector and those for the private sector related to the consolidation issues; (5) outlining an overview of the opinions provided by respondents related to IPSASB proposals on consolidation issues, identifying arguments in favor or against these IPSASB proposals; (6) creating an overview of the public sector consolidated financial statements issues at international level, image as it is seen from the point of view of researchers, regulators and governments. All these objectives stated above have been achieved throughout five chapters.

CHAPTERS SUMMARY

Therefore, in the first chapter, we focused on positioning over time the occurrence of these practices of accounting and reporting in the private sector, trying to present their progress to date. Moreover, we put great emphasis on the need and purpose of these consolidated reports in the private sector, identifying two views on the purpose, the basic-traditional one and the alternative–modern one. Also, in this first chapter we also detailed a number of advantages and disadvantages regarding the information provided by the consolidated financial statements in the private sector. All these have come to support the shaping of an image on this practice in the private sector. In addition, the last part of the chapter presents an insight into the sphere of theories that underline the consolidated financial statements, these giving us some explanations about the preparation and presentation of these statements. Just like accounting theory from which these theories specific to consolidated statements were detached, we have structured the theories in four approaches: the proprietary theory, the parent company theory, the parent company extension theory and the entity theory.

In the second chapter, we followed a similar structure to that of the first chapter, making a presentation to the emergence, evolution, need and purpose of the consolidated financial statements, but this time referring to the public sector. Furthermore, we explained some specific notions regarding the consolidation also nuanced in the public sector practice. All these come to highlight the need for the introduction and use of these financial statements in the public sector, too. Also within the second chapter, the last part, which is actually the most complex, is dedicated to carrying out a study on the current state of knowledge regarding the consolidated financial statements of public sector, study which represents an essential part of a research process. In order to establish the current level of knowledge we used both quantitative and qualitative analysis. It can be noticed that qualitative analysis is the most important for achieving our goal. Through the quantitative approach we followed carrying out an analysis of the evolution of researches in the analyzed field, of the main research directions, of the main research stream, of the applied research type, of the research method used, of the geographical area on which studies are focused, as well as of the authors' residence. In terms of qualitative approach, we focused on making a review of

the main research directions in the field of consolidated financial statements, highlighting the main features analyzed, and also the results obtained by researchers under each theme.

As we could notice, the methodology for the consolidated financial statements differ from one country to another, but in most of the cases, the statements are prepared using the same standards as in the private sector, hence placing the question of whether developing a set of consolidated financial statements in the public sector is in fact a "fashion" or an effect of imitation rather than a necessary reform to improve financial accountability. The standards used by public sector entities, called IPSAS (International Public Sector Accounting Standards), are issued by the IPSASB (International Public Sector Accounting Standards Board) and are based on standards used by private sector entities, called IAS/IFRS (International Accounting Standards /International Financial Reporting Standards). Based on this, we intend to analyze the main differences and the similarities between IPSAS and IAS on the consolidated financial statements. As we have already mentioned, users of the information from these two sectors have different objectives. So we ask ourselves the following questions: if it is a good idea to implement standards for the public sector based on private sector standards?, if we can talk about the same types of entities, both in the public and private sector and we can apply the same accounting methods and the same measuring base? and, on the other hand, does the implementation of these standards help ensure comparability in terms of entities and governments in different countries?

As Tiron (2012) stated, traditional financial reporting of public sector entities had in the foreground the budget as basic component of a set of financial statements, the compliance with the rules and regulations and was based on the principles of cash accounting, but in the past two decades, in order to deal with the constantly changing economic environment (demographical, economical and social) and the globalization, public institutions were forced to adapt to new circumstances, and an important step in this direction is the implementation of NPM ideas according to which the emphasis is on performance, recommending to the public sector the introduction of the set of financial statements as applied in the private sector, prepared on an accrual basis and of the new management tools in order to ensure performance measurement.

Taking into account the reforms that have taken place lately in the public sector, as well as the desire to approximate the practices of the two sectors, public and private, we appreciate that accounting harmonization in this area of consolidated financial statements has become a necessity deriving from the needs of users of financial statements, as they are most affected by the differences that exist between accounting regulations in different countries. Nowadays, it is very difficult for the consolidated financial statements prepared by the governments of different countries to be compared. Therefore, ensuring the comparability of public sector consolidated financial statements is impetuous necessary, this being achieved through a single set of accounting standards, namely International Public Sector Accounting Standards, standards that are accepted by countries around the world.

In this context, in the third chapter we analyzed the rules of this field using a comparative approach between international accounting referentials of public and private sectors, but also between standards of the various countries that had a decisive role in the implementation and development of consolidated reporting in the public sector. We also appealed to longitudinal analysis in order to underline the evolution of regulations on consolidated financial statements, but also to present the experience gained by the countries considered representative for the introduction of financial statements in the public sector.

Therefore, in the first part of this chapter we presented the evolution of international public sector accounting standards, as well as of standards which were the basis for their development, namely International Accounting Standards applicable to private sector entities. Also in this chapter we analyzed the changes brought by the revised standards compared to their first version, but also the changes to the standards which were the basis for public sector standards and that have not yet been reflected in IPSAS. We also tried to identify the key changes that have been made in standards for the public sector and the implications that these changes have on the new revision project of public sector accounting standards regarding the topic of consolidated financial statements.

Given the importance that international regulations on consolidated financial statements have on uniform treatment of these operations in accounting terms but also in the

development of reporting practices in the public sector around the world, in the next part of the chapter we analyzed through a comparative study the most significant standards regarding the consolidation issued in the seven countries that are considered leaders in implementing these reports in the public sector, as well as international standards, IPSAS, considering that they have the greatest impact worldwide. In addition to the comparative analysis of the public sector standards, we discussed the issue of the experience of countries that are pioneers in the implementation of the consolidated financial statements in the public sector, trying to highlight a number of advantages and disadvantages of such reports, but also some lessons that can be drawn from these practical experiences.

Considering that these consolidated reports have special significance for all users of the public sector, it is desired to introduce and develop these types of reports in as many countries as possible, but this has not yet been achieved, because there are many countries that have not developed regulations aimed at this issue. The deregulation in most countries of this issue across the public sector is a fact that could be noticed from the analysis conducted on the consolidated financial statements in the public sector. Starting from the desire of both researchers and those dealing with the development of standards for the public sector, namely to have a single set of accounting standards governing this issue across the public sector, we wanted, in the last part of the chapter, to highlight the similarity or dissimilitude between IPSAS 6, 7, 8 and the standards which they are based on, the IAS 27, 28, 31 (2008), study which was continued with the comparison between IPSAS 6, 7, 8 and IFRS 10, 11, IAS 28 (2011). Thus, these studies came to support the theoretical approach and were based on an empirical analysis in order to determine the degree of similarity between the two sets of standards, IPSAS vs. IAS (2008) and IPSAS vs. IFRS/IAS (2011), which is the main objective of our chapter. In order to achieve the proposed results, we used a fuzzy cluster analysis.

One of the main objectives of the IPSASB is to maintain alignment of International Public Sector Accounting Standards with IFRSs issued by the IASB. Having in the foreground this fundamental idea and due to the development of new standards by the IASB on the issue of consolidation (IFRS 10, IFRS 11, IFRS 12, IAS 27, IAS 28), the IPSASB considered that it is the right time to review the standards of public sector, namely IPSAS6-8, standards that are

based on private sector standards. So, in June 2011 IPSASB approved a Project Brief – Revision of IPSAS 6-8. This project plans to upgrade three existing IPSAS regarding the issue of consolidated financial statements, namely – IPSAS6, "Consolidated and Separate Financial Statements," IPSAS7, "Investments in Associates" and IPSAS8, "Interests in Joint Ventures" taking into account the relevant international financial reporting standards (IFRS). Thus, in developing these exposure drafts (ED 48, 49, 50, 51, 52) developed in October 2013, the IPSASB considered the requirements of International Financial Reporting Standards (IFRS), the specific characteristics of the public sector, but also the possible alignment with Government Financial Statistics.

In this context, we established as objectives for the fourth chapter, the outlining of an overview regarding the opinions provided by respondents, identifying the arguments for or against the proposals submitted by the IPSASB. To achieve this objective we analyzed the responses received from various stakeholders (regulators, preparers or simply users of the consolidated financial statements) regarding the proposed changes to the standards of consolidated financial statements in the public sector, both from the quantitative and qualitative perspective.

At the level of the fifth chapter, we proposed an empirical analysis of the issue of the introduction and implementation of the consolidated financial statements of the public sector, and the benefits of using such reports internationally. In order to achieve this purpose, we divided the study into two sections. The first one was the descriptive analysis of the responses received following the distribution of the questionnaire, and the second section was aimed to test the hypotheses from which emerge the utility and practice of public sector consolidated reporting at international level.

In the end of this paper, as usual, we made a presentation of the results and conclusions drawn during the research, highlighting the major contributions made. We also presented the research relevant limits and perspectives of the research in the area of research chosen.

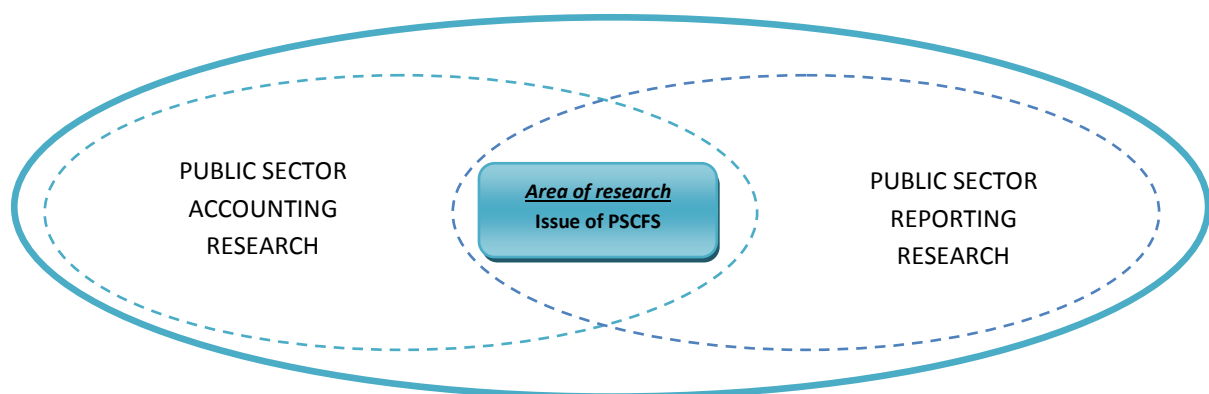
RESEARCH METHODOLOGY

The century we live in is a century of permanent improvements and changes of substance in all fields of science and research. This is because of the growing concern for novelty which is more present in each of us, and thus the accounting field cannot make exception. All these improvements and changes are based on laborious research and a permanent work and particularly supported by both researchers and practitioners. One thing that should be considered permanently is the quality of work done. The work quality is given to a large extent by the methods used in research, but also by the skills of the researcher to choose and use the most appropriate methods for the situation which he/she comes into contact with.

However, in order to achieve the goals set, the methods, techniques and research tools used throughout the paper vary from one chapter to another, as shown in the following:

First of all, we must set the general area of research chosen in the field of scientific knowledge, which is divided into specific areas of research. The general area of research of this paper is *the issue of public sector consolidated financial statements*. In the field of accounting research, this lies at the confluence between public sector accounting research (PSAR) and public sector reporting research (PSRR). This can be seen in the following figure¹.

Figure 1: Positioning of our area of research within the accounting research area



¹ We performed this framing based on the scheme presented by Baker & Barbu (2007:274) in their study regarding the systematization of accounting research, scheme that has framed IAHR = International Accounting Harmonization Research in the area of accounting research, but also the framing and the scheme realized by Müller (2010:17) regarding the issue of consolidated financial statements.

Once positioned in an area or paradigm of research, it would be better to frame the paper also under the aspect of the main research stream. The paper is part of the positive stream, but at the same time, it also presents pretty much elements specific to critical and interpretative stream, following some conceptual issues, and practices in the analyzed field by adopting either a neutral point of view, specific to the interpretive research or adopting a particular/personal point of view, specific to the critical research, streams used in international law analysis, and the laws of the countries considered pioneers in the implementation of the consolidated financial statements.

We have also clearly identified the type of research used during our scientific work. Thus, in the first two chapters, which aim to detail the emergence, evolution, need, purpose and benefits of the consolidated financial statements both in the private and public sector, respectively to highlight the theories that explain the reasons of these operations, the research achieved is a theoretical one, but also qualitative. Among the research methods used we can mention: the document analysis and specialized studies analysis, as well as external (non-participating) observation, and the comparative method to determine the differences between the theories of consolidation. Also, within the last part of the second chapter, whose goal is to establish the current state of knowledge regarding the consolidated financial statements of the public sector, we can state that the research conducted is an empirical one, both quantitative and qualitative. Thus, the research method used is the content analysis, which was developed in three steps: pre-analysis, the exploitation of the material, namely the processing and interpretation of results. The first step taken consists of establishing the startup ideas, identifying and selecting the documents being analyzed, but the most important thing was to determine and formulate objectives rather than what we want to achieve through this study. The second step involved the division, coding of articles based on the variables outlined above, but also the content analysis of the established sample and the last step included the processing and interpretation of results. First of all, this has been achieved through a quantitative analysis, but also through a qualitative analysis, based, for data collection, on the external (non-participating) observation method, method that involves, as Chelcea argues (2004: 400), the positioning of the researcher outside the observed system.

Next, in the first two parts of chapter three, which aims to present in detail the international regulations on consolidated financial statements of public sector, as well as the experience and regulations of the countries that have had a positive impact on the development of this issue, the research conducted is a theoretical one, but also qualitative. Among the research methods used we can mention: the document and specialized studies analysis, as well as external (non-participating) observation, and the comparative method in order to determine the differences between the standards used by the various countries analyzed, but also to determine the changes to the first version of the standards issued by the IPSASB and also between the public sector standards and those are based on, namely the private sector ones. In the last part of the chapter, whose goal is to measure the convergence between the public sector international accounting standards and the private sector international accounting standards regarding the consolidated financial statements, we can say that the research achieved is an empirical research, both quantitative and qualitative. Thus, the research method used is the content analysis, which was developed in three steps: pre-analysis, the exploitation of the material, namely the processing and interpretation of results. The first step taken consists of establishing the startup ideas, identifying and selecting the documents being analyzed, but the most important thing determining and formulating objectives, rather, what we want to achieve through this study. The second step involved the analysis of documents in order to collect data useful for our analysis and the last step consists of processing and interpretation of results. First of all, this has been achieved through a fuzzy cluster analysis, based, into data collection, on the external (non-participating observation method). A more detailed presentation of the methodology of the study conducted is exposed in the chapter.

Chapter four brings to the forefront the analysis of the feedback provided by experts on the issue of consolidated financial statements in the public sector regarding the amendments proposed by IPSASB, analysis which implies a quantitative-descriptive component, a quantitative – explanatory component and a qualitative component. Among the research methods used we can mention: the document and specialized studies analysis, the content analysis and as research tools we used: the ANOVA test and the residue analysis.

In the last chapter, which aims to provide an overview on the public sector consolidated financial statements practices at international level, the research achieved is an empirical research, both quantitative or descriptive and qualitative. The research method used was the survey and the research tool used in the endeavor was the questionnaire, considering that is the most appropriate manner to achieve the objectives mentioned above.

From the temporal criteria perspective, we can sustain that the transversal research was combined with the longitudinal one, the latter being more pronounced. The longitudinal method was used mainly in the study regarding the current state of knowledge, being useful in analysing the evolution in time of the scientific knowledge in the public sector consolidated financial statements field, but also in presenting the evolution of regulations since their issuance until nowadays. The transversal analysis covered the comparative analysis of different conceptual and theoretical aspects regarding the financial statements both from public and private sector, the analysis of regulations regarding the consolidated financial statements, the comparative analysis of different standards used in different countries, the analysis of respondents' opinions to the amendments proposed by IPSASB, as well as the analysis of respondents' perceptions from the sample regarding the consolidation practices at international level.

A large part of the research work is directed towards documentary which involves resorting to a series of informational and bibliographical sources. Among the documentation sources used for our scientific approach we can mention: articles published in various journals (national and international), papers presented at conferences, reports, government publications, standards, specialized books relevant to the reference field, guidance, regulations, analyzes and studies conducted by various bodies in the field, and not least, information published on the Internet.

RESEARCH CONCLUSIONS, LIMITS AND PERSPECTIVES

As it is normal at the end of this paper we must present the main conclusions and results obtained during the research conducted. Like any research, the study presents a number of limitations which we will highlight, but we will also present the future research directions regarding the studied sphere which we want to undertake in our following papers.

The first part of this paper has as main objective to create an overview of consolidated financial statements in private and public sector and consists of two chapters. In the first part we focused on outlining an image in time on the emergence, evolution, need, and purpose of these statements in the reporting practice of groups of companies in the private sector, respectively on the presentation of theories that explain the preparation and presentation of consolidated financial statements, the second part was devoted to shaping an image in time on the consolidated financial statements in the public sector and to defining the current state of knowledge in the field.

Therefore as a result to those presented regarding the emergence, evolution and need of consolidated financial statements we believe that they have appeared and developed in exactly the right moment, when the accounting practice needed some reports to present the financial position and performance of the group of companies truly and fairly. We believe that these consolidated statements represent a natural consequence of the principle of substance over form at the level of the position and performance of the whole group, characterized by the polarity economic unit-legal diversity. It may also be noted that the consolidated financial statements present benefits superior to disadvantages discovered. At the same time, analysis of the various theories underlying the consolidated statements reveals that none provides guidance regarding the entities which should be included in the consolidation area, considering that it has already been established. The theories only provide solutions for the measurement and disclosure of assets, liabilities, equity, outcomes and non-controlling interests and lead to different results only if the parent does not own 100% of the equity of consolidated subsidiaries. It seems, however, that the entity theory best fits the objective of consolidated financial statements, but this seems to present a

practical problem: determining the fair value of each company that was acquired, an operation that is quite expensive and demanding.

Regarding the issue of the emergence, evolution and need of consolidated financial statements in the public sector, Anglo-Saxon countries are considered the founders of the reforms regarding the NPM, and it seems that one of the lines of the reform is the introduction of consolidated financial statements in the public sector. They are internationally recognized as being those which play the role of precursor regarding the consolidated financial statements and models for other countries, offering the best practices that can be used as an example. Also, we must recognize that there are a number of difficulties associated with developing consolidated financial statements and that there are problems of interpretation and analysis in the public domain, but it is very clear that these consolidated reports improve the reporting system of the public sector regarding the financial performance and thus allow an increased responsibility on public resources. Certainly, the experiences of those countries that have already implemented consolidated statements in the public sector will be copied by other states, and in a short time other countries will make efforts for implementing these practices.

With regard to current state of knowledge at international level in the field of public sector consolidated financial statements, the second chapter of the thesis aimed at the delimitation of it, objective which was achieved through a quantitative and qualitative analysis of a sample of 30 articles published in international journals, but also presented at some conferences. The main result of the study conducted, which was comprehensive and complex, consists of the identification of research directions/streams approached by scientists in the public sector consolidated financial statements field.

With reference to the quantitative study conducted, we conclude that researches from the field of public sector consolidated financial statements are part of the alternative research stream, namely the critical or interpretative stream, although the vast majority of research in the field of accounting, lately, are characteristic of main stream research, positivism. Since this topic is at the starting point in terms of research conducted, but also in terms of its application in international practice, it can be explained such a preference for a critical or

interpretive research type. From the point of view of the research type used, we also noticed a preponderance of fundamental/theoretical research, this result being closely related to predominantly research current, namely the critical or interpretive one. Not a surprising aspect that we observed is that most research is focused on analyzing the consolidated statements of public sector in Europe (except the UK and Italy), namely Sweden, Switzerland, France, closely followed by Australia and New Zealand. Neither Italy nor UK remain behind, as in their case, the public sector consolidated financial statements were a special attraction. We are surprised, however, that the researches are less numerous in USA, since the USA was among the first countries opened to introduce and prepare consolidated statements in the public sector and was one of the pioneers of this practice. The fact that Italy gives great interest to this current topic is reinforced by the analysis of the authors' residence, resulting that most researchers are Italian. They are followed by those from Europe (except the UK and Italy) and Australia and New Zealand.

In order to achieve qualitative research, at quantitative analysis level, we structured the articles according to the main theme approached. Thus, the few issues identified as analyzed in international studies, highlight once again the novelty of consolidated financial statements in the public sector. Out of these, we found that consolidation in local governments is the most tackled issue at international level, which is not surprising, considering that local governments have more and more entities and autonomous administrations of local interest, and thus we need a more accurate and fair presentation of the entire local public sector and not only. Besides consolidation in local governments, we noticed that the characteristics of public sector consolidated financial statements: basic aspects, need, usefulness and trends represent a topic that runs hard and is often debated in the articles analyzed. We cannot say the same thing about standards governing public sector regarding the consolidated financial statements at international level, this issue being at the beginning.

In the qualitative study conducted in chapter four, we conclude the following about the internationally approached main streams of research:

- Recent research on the characteristics of the consolidated financial statements of the public sector: basic aspects, need, usefulness, trends have achieved results

according to which the public sector presents a number of typical features that create difficulties in joining the private sector approach. Most studies have shown the trend of public sector accounting practice to take over the private sector practice regarding the consolidated financial statements, trying to highlight the benefits, but also the inconvenience of these approaches. Thus, there is need for further research addressing this topic in order to confirm or disprove the previous findings, but also in order to find the most optimal option for these statements in the public sector.

- The researches on IPSAS - public sector standards regarding the consolidated financial statements present a quite low interest. There are few countries that prepare consolidated financial statements in accordance with IPSAS, most either have their own national standards, or in the public sector apply IFRSs (standards for the private sector).
- Researches regarding the consolidation in local governments - is an extremely important issue and brings a number of arguments for the development of consolidated statements in the public sector, too. The lack of uniformity between accounting data of local governments and municipal entities, insufficient knowledge about the consolidated reports, lack of staff, lack of mandatory preparation for such reporting are reasons that can be overcome and thus the consolidation practice in the public sector can be implemented.

As a result of the qualitative study conducted through which we reviewed the main contributions on this topic, we noticed that researches regarding this issue are just at the beginning and there are some research areas that have been poorly analyzed and where there is a need to continue and deepen the research. This need is felt, however, at the level of those research areas which are characterized by a substantial number of articles, but whose results need deepen and argumentation.

Anyway, we appreciate that preparation and presentation of consolidated financial statements requires, undoubtedly, a complex activity, but at the same time a difficult one and it requires a long time. Moreover, it is necessary to examine the cost – benefit report, so we should notice the benefits of preparation and presentation of consolidated financial statements in the public sector and should be compared with the costs estimated in order

to have an overview and to determine how close these practices in achieving the public sector are. Taking into account the research results and the conclusions drawn, which were above presented, we believe that the objectives we have set at the beginning of the two chapters have been met.

The third chapter had as main objective the presentation of accounting regulations regarding the consolidated financial statements of public sector at international level, the analysis of the way these rules are applied in practice, as well as, the achievement of a comparative analysis of private sector standards with those of public sector, in particular of those relating to the consolidated financial statements. In the first part of the chapter we focused on presenting and analyzing the rules of this field, using a comparative approach between public and private sector international accounting referentials, as well as on presenting the evolution of public sector international accounting standards and of the standards that were based on. In the same chapter, we analyzed the changes made by the revised standards compared to their first version, but also the changes to the standards which were based on the elaboration of public sector standards and have not been reflected in IPSAS yet. We also tried to identify the key changes that have been made to public sector standards and the implications that these changes have on the new revision draft of public sector accounting standards regarding the issue of consolidated financial statements. In the second part we analyzed through a comparative study the most significant standards related to consolidation issued in the seven countries that are considered leaders in implementing these reports in the public sector as well as the international standards, IPSAS, considering that these have the greatest impact worldwide. In addition to the comparative analysis of the public sector standards, we have also debated the issue of the experience of countries that are pioneers of the implementation of the consolidated financial statements in the public sector, trying to point out some advantages and disadvantages of such reports, but also the lessons that can be drawn from these practical experiences. And the last part of the chapter was intended to measure the convergence between IPSAS and IAS (2008) and IPSAS and IFRS/IAS (2011) regarding the issue of consolidated financial statements.

This issue on the public sector consolidated financial statements can be considered one of the most important reforms of NPFM, reforms that have influenced and improved the public sector accounting and financial reporting system. Although, initially, there was some reluctance regarding the introduction of such reporting in the public sector, not being convinced of the benefits it can bring, over time the importance of this concept of WGFR has grown and now effort is made for it to be implemented in many countries.

Of course, that once was decided to introduce and present a set of consolidated financial statements in the public sector, regulations are needed, regulations that help us for their preparation. Following the analysis regarding the international regulations (IPSAS), we conclude that these are in a full process of revision, a process that is intended to be completed by the end of 2014 by issuing new standards and updating the existing ones regarding the consolidation issues, standards that facilitate the achievement of one of the IPSASB objectives, namely the convergence of the two sectors standards.

However, we believe that the preparation of consolidated financial statements in the public sector represents, without a doubt, one of the most difficult tasks of the accounting, financial reporting system and takes a long time to be prepared at all levels of government (local, regional, central), which can be seen from the experience of countries which already prepare such reports.

Analyzing in detail the reference standards for the issue of consolidation, the sector that they are applicable to, the level to which they are applied, the criteria used to determine the consolidation area as well as the control indicators in the seven most representative countries and at international level we could observe that there are not substantial differences between the standards, nor between indicators of consolidation criteria. This performed comparison, as well as the presentation of experiences reached by the countries which are considered the leaders of the implementation of consolidated financial statements in the public sector provides us an overall picture on the practices that are emerging in the public sector, thus raising three categories: a) countries that have issued and are using separate standards for the public sector (Sweden, USA, Canada, New Zealand and IPSASB); b) countries that have issued and use the same standards for private and

public sector (Australia); and c) countries that have issued and are using standards that are based on private sector standards, namely private standards have been adapted for the public sector (UK).

The initial empirical analysis (IPSAS vs IAS (2008)) came as an endorsement of the theoretical one, since it was already known that the standards are more than close as similarity, but it requires a demonstration of this from the statistical point of view. After processing the data, it was concluded that the IPSAS are almost accurate copies of IAS (2008), the greatest differences that were identified were found within the terminology used.

In conclusion, we can say that our research had a specific purpose, namely to determine the degree of similarity between IPSAS and IAS (2008), and finally this goal was achieved; moreover it was statistically supported and aroused us the interest to continue this analysis in our subsequent studies.

Therefore, once the revision and the emergence of new standards in the private sector took place (IFRS 10, 11, 12, IAS 28 (2011), IAS 27 (2011)), we considered that our research must continue the original empirical analysis with an analysis between IPSAS and the new issued and revised standards (IPSAS vs IFRS / IAS (2011)). If the first study demonstrated a significant similarity between IPSAS and IAS (2008), standards which were the basis for the development of IPSAS, the second study revealed that along with the revision of standards related to private sector, the two sets of standards were far enough, becoming necessary the revision of the standards of the public sector in order to keep as real as possible the convergence of these two sets of standards. Although a convergence between them is desired, the regulators believe that we must constantly keep in mind the aspects that differentiate public sector from the private one, and that for having a set of standards that brings extra value to reporting from this sector.

The need for revised standards and the project initiated by IPSASB on the revision of IPSAS 6-8, opened our horizons towards the fourth chapter that had as the main objective the shaping of an overview of the opinions provided by respondents on IPSASB proposals related to consolidation issues, identifying the arguments for or against the proposals of the

IPSASB. Considering the goal set, but also the need for regulations that can help prepare a set of consolidated financial statements in the public sector in order to ensure the comparability between reporting at international level, we resorted to analyzing responses received from various stakeholders, thus achieving a quantitative empirical study, but also a qualitative one. The qualitative study comes to bring added value to the quantitative study, trying to bring to the forefront the pros and cons related to aspects proposed for amendment by the IPSASB on the issue of consolidation. Following the analysis on international regulations (IPSAS), we can conclude that they are in a full review process.

Generally, the response to IPSASB proposals regarding the standards related to consolidation is a favorable one, considering the agreement for the proposed new definition of control, for using the equity method, in addition to the cost or fair value, for investments in other entities, that an entity that controls to consolidate all controlled entities, for the proposal to withdraw the exception of IPSAS 6 on temporarily controlled entities, for the proposal to require the use of the equity method to account the investments in joint ventures, that joint ventures to be accounted in the consolidated financial statements using the equity method. The proposal that a controlling entity, that is not itself an investment entity, but which controls an investment entity should be required to present consolidated financial statements in which it (i) measures the investments of the controlled investment entity at fair value through surplus or deficit in accordance with IPSAS 29, Financial Instruments: recognition and measurement, and (ii) consolidates the other assets and liabilities and revenue and expenses of the controlled investment entity in accordance with this standard highlights a high disagreement.

All the results confirm the results previously obtained through ANOVA tests, results that show us that there is a regional, continental influence in accepting the proposed changes for aligning the standard and that the use or non-use of consolidated statements determines the ability to provide a opinion vis-a-vis the subject. Following the analysis performed, we determined a group of states depending on the response behavior (agree/disagree and number of non-responses), namely:

- a major group, consisting of countries like South Africa, Kenya, Japan, Malaysia, UAE, Brazil, Switzerland, Belgium, states between which we do not distinguish major differences;
- US and UK, with New Zealand in relative proximity to them;
- France and Australia;
- Canada and Nigeria, which lies on distinct positions relatively far from the other groups.

The group achieved makes us think that countries considered being the pioneers of public sector reforms, namely the introduction and presentation of a set of consolidated reporting in the public sector (US, UK and New Zealand) have similar views on proposals to amend the standards concerning the issue of consolidation. Although Australia is part of the initiators of public sector reforms, it detaches by expressing opinions closer to countries that do not have experience in the presentation and preparation of such reports. This detachment may result from the fact that Australia has just completed the development of standards concerning consolidation issues and took into account all the obstacles encountered in the revision process, but also the desire to use a single set of standards both in the public sector, and in the private one.

According to the results obtained in the studies, we believe that most of the proposals for amending the IPSAS 6-8 standards, presented in the exposure drafts will become part of the new standards regarding the issue of consolidation, which will be most likely issued in December 2014.

In conclusion, we can say that our research had a well defined purpose, namely the shaping of an overview of the opinions provided by respondents regarding the IPSASB proposals related to consolidation and finally this goal has been achieved, moreover it aroused our interest to follow the development of the revision project, analyzing which of the proposals will be accepted and which will be removed.

The last chapter has as main objective to create an overview of the issues regarding the public sector consolidated financial statements at international level, image as it is seen from the researchers, regulators and governments point of view. In order to achieve these

proposed objectives, we used as a research tool, the questionnaire, considering it is the most useful and relevant way that can provide us as many answers as possible on the subject analyzed. Given the pursued objectives, according to the study we could notice that internationally there are few countries that now are preparing consolidated financial statements. However, it can be seen that there is a tendency to shift towards an accrual based accounting, and a desire to overcome the obstacles that prevent the preparation of consolidated financial statements in the public sector. The study formulates nine hypotheses that have been empirically tested, actually approaching the issue of implementation and preparation of CFS. With regard to the hypothesis formulated, according to the analysis, we believe that only 8 of them can be validated, one being invalidated. Therefore, CFS are perceived as necessary and useful tools for decision making, but also statements that provide a good picture of the financial position and performance of the public sector, but also, they are based on different standards, thing that can be remedied by issuing uniform standards in order to be applied internationally and to ensure comparability and transparency between the reports of different countries. All the results of the study may help outline a picture of what is happening internationally regarding the public sector consolidated reports, and they can be a starting point for countries intending to implement such reporting.

Along with the review of the main conclusions obtained throughout the research project, we believe that it is worth highlighting contributions to the state of knowledge in the area studied by us.

Therefore, we consider that in the first two chapters we managed to present the significant aspects of private and public sector consolidated financial statements, but also to outline a picture of the current state of research. With reference to the research conducted on the current state of knowledge, we can say that we have achieved for the first time a delineation of the existing literature on the whole issue of public sector consolidated financial statements, until now similar studies not being conducted in this area of research (from the information we hold). In addition, in the third chapter, we developed aspects regarding the international regulations in the public sector CFS field, bringing added value to research by the empirical studies that have highlighted the proximity/distance between the

public sector standards and those of the private sector that are the basis for the first mentioned ones. Although, at the theoretical level, it is assumed that the standards of the two sectors are almost identical (because IPSAS are based on IAS), from our knowledge nobody demonstrated this statistically. We also analyzed the experts' opinions on the proposed changes to the IPSASB regarding the consolidated financial statements, through a quantitative analysis that revealed the impact of factors on the response behavior. Through the empirical research, we wanted to strengthen the image that the experts and regulators have regarding the issue of preparation and implementation of public sector CFS at international level, noting that such studies were performed only on specific countries and smaller issues. We believe that all these empirical researches significantly contribute to the development of the literature on the area studied, given the low number of studies that have been conducted so far, but also the actuality of the topic.

Considering that there is no research without limits, in the end of any scientific approach, a number of issues regarding **the limits of research** conducted should be mentioned, but also, we consider that any research in order to achieve its goals as much as possible should be continued constantly, requiring researchers to have a full picture on the perspectives of future research.

Characterized by a number of positive aspects, such as the relevance of selected journals internationally, the complexity of the qualitative analysis and comprehensive synthesis achieved, the study is not without limits, limits that we present as follows:

- The small number of papers found on the subject analyzed - however it is absolutely normal because of the novelty of this practice at international level.
- The period of only 14 years taken into account for our study, given that the introduction of consolidated financial statements in the public sector accounting system dates from the early 90s. However, given the small number of items found in the analyzed period, we believe that the subject is just at the beginning and that current research analyzed clearly reflects the current state of knowledge.
- The sample analyzed included a total of 23 international journals, which are representative for the study (significant as indicated also by other researchers in the public sector), but limit our research because it is impossible to analyze the entire

existing literature. The fact that we found a relatively small number of US studies may be due to the inclusion in the sample of selected journals only an American journal.

The sample was limited to those articles which were selected based on the keywords "public sector consolidated financial statements", a greater number of keywords leading to a larger sample and difficult to analyze, but also irrelevant for the subject studied.

Other boundaries that could be identified in the scientific approach were those regarding the relatively low volume of information available on this subject since it is a new topic of interest, the short time in which the information had to be collected and processed in order to obtain results, and the limitation into space, namely, the limitation in terms of pages published. Certainly, more about this topic might be said, it could be developed into several subsegments, but we have been limited to those that we considered relevant both nowadays and for the main objective of the paper.

Another limitation of our research can be identified in the quantitative study regarding the views of various stakeholders on the topic of IPSASB amending proposals on the issue of public sector consolidated financial statements. The limitation is related to the number of responses received for each exposure draft. We believe that a much larger number of responses could provide us a much clearer picture about the views of the organizations regarding the issue of consolidation. Moreover, another limitation of this study is the possibility of misinterpretation of the answers provided by the organizations that have participated in this project, errors due to the unavoidable subjectivity of the researcher, limit that can be also attributed to the theoretical research regarding the interpretation of standards, but also to the studies that measure the degree of similarity between the sets of standards of the two sectors.

As it is natural, also in the last empirical study, some limitations are required to be highlighted, out of which we could mention: the representativeness of the sample, the subjective interpretation of the open responses, and the time limit allowed to achieve such a study, and also the continuous development and amendment of regulations underlying the preparation of such reports, changes that may affect the results of the study.

During the last period, there is an increased interest in consolidated reporting in the public sector and this research can be considered a pioneer in approaching such issues in the research of our country. With regard to **the future perspectives** of the research we decided to follow closely the revision of IPSAS 6-8 until the project is completed with the development of new standards, in order to be able to notice and check the taking into account of the comment letters, into the final form of these standards, but at the same time the alignment with IFRS 10, IFRS 11, IFRS 12, IAS 27, IAS 28. As it is set out in the IFAC's projects, doing this thing, we hope to get some answers to some questions such as: (1) Should the temporary control exemption from consolidation in IPSAS 6 be retained? (2) Should the term control continue to be used or the revised definition of control is appropriate? (3) Should the scope of the IFAC's project include consideration of whether all controlled entities should be consolidated?, answers that we hope to find out as soon as possible and which can give us answers to other questions that may arise. Also, we want to restrict attention to analyzing national and international regulations in the field, also trying to assess the need and effects of preparation and presentation of consolidated financial statements in Romania, through a study in which to emphasize the practical side of preparation of consolidated financial statements in the local and central level.

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