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VALENCES AND CHALLENGES OF ACCOUNTING FOR PUBLIC SECTOR ENTITIES COMBINATIONS

- PhD Thesis Summary -

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Keywords

Combinations of entities, public sector, public sector accounting, mergers, amalgamations, acquisitions, business combinations, Anglo-Saxon accounting regulations, IPSASB, Romania, New Public Management, institutional theory.

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“Historically, governments have accounted for their mergers and acquisitions by analogizing to guidance intended for the private-sector business environment, which proved problematic because those standards focus on stock arrangements and ownership interests not present in the governmental setting”, GASB Chairman Robert H. Attmore

Introduction

In the current economic environment, public sector entities, to overcome the various financial constraints, are forced to consider more alternatives from which to choose the one that can provide a catalyst for increasing economic efficiency and improving the quality of public services provided. These alternatives sometimes involve combinations of public sector entities, found in the literature under the term of transfer of operations / functions, mergers, amalgamations and acquisitions. Combinations are taken to reshape and refocus the operations of the public sector in order to facilitate the government strategies. Thus, since the institutional combinations have a major impact on public sector architecture, their accounting regulation is very important and necessary. Currently there is no international standard that provides specific guidance on accounting for public sector combinations. Moreover, there are few countries that have a regulatory framework for these events (ie United States and South Africa). The present study aims to demonstrate that a financial reporting standard designed for combinations that appear in the public sector is necessary because there are some key differences between the circumstances that may arise in combinations of public sector entities and business combinations.

In this context the fundamental question around which is concentrated the conducted research through qualitative and quantitative approaches is: *Is there a need for a specific financial reporting standard designed for combinations of public sector entities?*

The purpose of this research is to provide a thorough analysis of the nature of economic substance and accounting treatment for combinations of public sector entities to demonstrate the need for a specific accounting regulation on these events. In order to achieve the purpose of this study, the following secondary research questions are addressed:

1. What is the meaning of the term "combination of public sector entities"?

Definition of "combinations of public sector entities" is a necessary first step in analyzing the accounting treatment regulation because its definition suggests or even determines the scope

of accounting regulations. In addition, the analysis of typology of public sector combinations is necessary, given that it has accounting consequences. Thus, accounting standards address separately the possible accounting treatment for different types of combinations.

2. What are the main differences between the public and private sectors that contribute to the need for a separate financial reporting standard designed for combinations of public sector entities?

The motivation to answer this question is to emphasize that the circumstances and conditions that are normally encountered in combinations of public sector entities differ significantly from those in the private sector. Thus, the purpose of private sector entities and implicitly of business combinations is to generate profit and the purpose of public institutions and public sector entities combinations is generally to provide goods and services to the community or social support. In addition, many business combination appear voluntarily and as a result of exchange operations, while the vast majority of combinations of public sector entities are required by an authority or law and occur through non-exchange transactions. Moreover, users of financial statements of public sector entities must be able to obtain the information necessary to evaluate the nature and financial effect of a combination that appears in the public sector, given that the information needs of these are different from those of users of financial statements of private sector entities.

3. What is the accounting treatment of public sector combinations in IPSASB's (International Public Sector Accounting Standards Board) projects?

We believe that the importance of this topic and IPSASB impact on the accounting treatment of public sector entities combinations, requires examining at international level of these accounting transactions aspects.

4. What is the accounting treatment for combinations of public sector entities in the Anglo-Saxon countries and which of them has the greatest influence in developing of IPSAS "Public Sector Combinations"?

We chose these countries because they are respondents to the survey proposed in the Consultation Paper "Public Sector Combinations" issued by the IPSASB, they have accounting regulations for combinations of public sector entities (which could influence the international accounting standard which is being developed by IPSASB) and have a number of common features, such as: citizens are associated with shareholders, adopting territorial

decentralization, the public sector is not very different from the private sector, and they have a mature accounting and auditing profession. Other common features of these countries are: the presence of accrual accounting system and the presence of professional bodies involved in issuing accounting standards - usually independent of government.

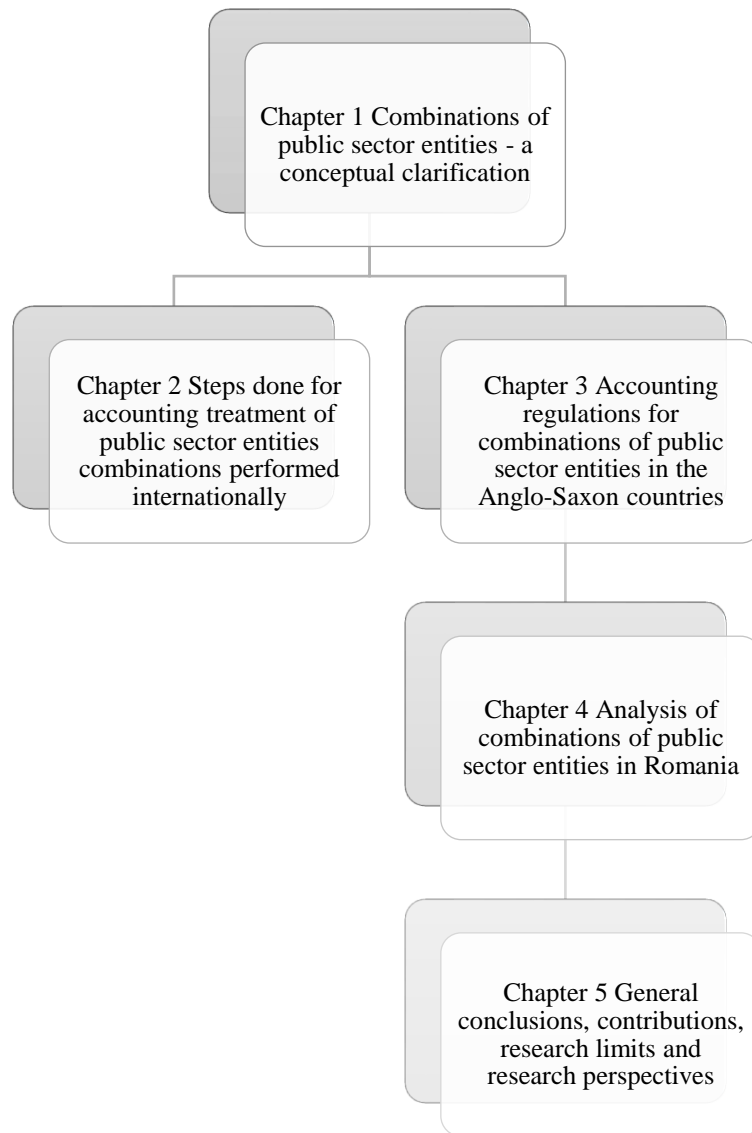
5. What are the characteristics, the practical implications and accounting treatment of the combination of different types of public sector entities which took place in Romania?

The answer to the last research question provides a practical perspective on the challenges and particularities of public sector combinations in different areas (ie culture, health, taxation and education) in the context of regionalization in Romania. This paper focuses mainly on the analysis of these events in the hospital system, given that in this sector occurred most of amalgamations compared to other sectors. In the last two decades, Romanian public health system has undergone a reform process. One of its consequences is the wave of public hospitals combinations that occurred mainly after the new health law (Law no. 95/2006). Thus, in 2011, the Health Ministry made public a list of hospitals proposed for merger (111) of the 435 hospitals with beds that existed at the time. However, by June 2016 from the 111 hospitals proposed for merger only 37.84% were abolished.

These issues and other tangential issues are presented in a number of studies (Fulop *et al.*, 2002; Van Reine, 2006; Simões & Marques, 2011; Gaynor *et al.*, 2012; Leibenluft, 2015) that contribute to enriching reflection on combinations of public sector entities in the context of NPM and good governance in the public sector.

The paper is divided into five chapters (Fig. 1). The first chapter includes conceptual clarification for combinations of public sector entities. Chapter two presents approaches to the accounting treatment of public sector entities combinations performed internationally. The next chapter analyzes the accounting regulations for combinations of public sector entities in the Anglo-Saxon countries and their influence on the development of IPSAS. The reasons for choosing these regulations are presented above at the fourth secondary research question. In chapter four are analyzed combinations of public sector entities in Romania, and in the last chapter are presented general conclusions, personal contributions, research limits and research perspectives.

Figure no. 1 Structure of the PhD thesis



(Source: author)

Importance and motivation of research

The research literature has few studies on combinations of public sector entities compared with that of business combinations. On the other hand, the lack of international accounting regulation in this area undoubtedly contributed to the diversity approach in practice of these events. Considering that there is no specifically international standard, the International Accounting Standard for Public Sector (IPSAS) 6 *Consolidated and Separate Financial Statements* (valid as of 31.12.2014, replaced by IPSAS 35 *Consolidated Financial Statements* as of 01.01.2015) indicates that the accounting treatment for combinations of public sector entities is reflected in relevant international or national accounting standards that treats the business combinations. But these regulations do not refer to the conditions and circumstances that are normally encountered in such events. In addition, adopting a private sector model of financial reporting such as International Accounting Standards (IAS) / International Financial Reporting Standards (IFRS), has been questioned as incompatible with the reporting model for the public sector (Broadbent, 1999; Pallot, 2003; Christiaens, 2004). Thus, users are not able to obtain the information necessary to evaluate the nature and financial effect of a combination of entities which appears in the public sector.

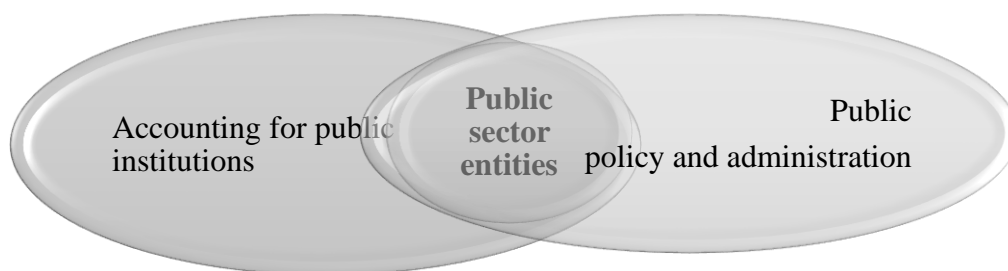
Based on this fundamental idea, the need for a specific standard for identification of requirements reflecting the accounting for combinations of public sector entities was expressed increasingly more in recent years. The Government Accounting Standards Board (GASB) from the United States of America, the Accounting Standards Board (ASB) from South Africa, Financial Reporting Advisory Board (FRAB) from UK, the Public Sector Accounting Board (PSAB) from Canada and the International Accounting Standards Board (IPSASB) are concerned with the unique characteristics of governments, public sector entities and the environment in which they operate. Thus, recently the first four professional organizations, mentioned above, have issued specific accounting standards for these transactions. Also IPSASB is currently working on a standard for public sector combinations. Thus, due to the importance and topical of combinations of public sector entities for both professional environment as well as academia, we motivate our choice to study the accounting for combinations of public sector entities in order to contribute to the development of knowledge in this area of research.

Considering the specific needs of the public sector, the reasoning, motives and methods of institutional combinations may often differ significantly from those prevailing in the private sector (Mitu & Tiron, 2013). Because there are some gaps in the literature on the conceptualization and accounting treatment of public sector combinations, we expect this research to supplement the existing body of knowledge and to represent a starting point for future research in this area.

Research methodology

The research methodology used in achieving the scientific approach is based on both the qualitative and the quantitative approach. From epistemological point of view, the paper presents the development of our area of interest using a post-positivist research approaches. The area of interest is positioned at the intersection of the research field of accounting for public sector entities and the public policy and administration (Fig. 2). The paper uses the deductive approach (from general to particular, from theory to observation) using the new institutional theory to analyze accounting perspective and practical challenges and particularities of combinations of public sector entities. The study is not limited only to deductive approach, because it is often interdependent of inductive approach (from the particular to the general, from observation to theory).

Figure nr. 2 Aria of interest



(Source: author)

As mentioned above, the paper uses neoinstitutional theory, which focuses on how social structures are created and how it affects the processes of change (Solstad & Pettersen, 2010); the legitimacy, structures and exogenous technologies (Greenwood & Hinings, 1996: 1022-1023). Thus, combinations of public sector entities may be understood as an external institutional pressure, through which is transformed the organization.

New institutional theory is "a commonly accepted theoretical position that emphasizes rational myths, isomorphism and legitimacy" (Scott, 2008), focusing on the deeper aspects of the social structure. Thus, the research findings in chapter four highlight the presence of isomorphism in Romanian public sector. We can identify, in particular, the two main types of isomorphism: normative (where an organization is strongly influenced by rules set by an

external body - the Romanian government) and coercive (pressure comes from an superior organization - Romanian government influenced by international organizations: IMF, World Bank and European Commission).

To answer the first research question (regarding the concept of public sector combinations), the study uses the qualitative and quantitative approaches to identify and analyze combinations of public sector entities and explain the basic concepts from this domain. The significance and implications of the concepts are developed by reviewing, primarily relevant books and journals from the area of interest, and then the existing accounting standards. In addition, the similarity and dissimilarity coefficients are calculated in terms of concept and types of combinations of public sector entities to measure the formal harmonization of accounting standards in Anglo-Saxon countries with international accounting standard proposed by the IPSASB. By using these coefficients it can be determined the degree of similarity and distinction between the elements analyzed to assess the degree of harmonization achieved by the national accounting standards with International Accounting Standard. This statistical tool is used in different studies (Ex: Fontes *et al.*, 2005; Qu & Zhang, 2010; Nguyen, 2014), proposing measures to assess the progress in the convergence of accounting standards with IFRS.

The paper uses content analysis of national and international accounting standards on combinations of public sector entities in six countries: UK, Australia, New Zealand, Canada, South Africa and the United States of America. The criteria used for this selection are: the representatives of these countries are among the respondents of the Consultation Paper "Public Sector Combinations" of IPSASB; existence of accounting regulations for combinations of public sector entities, possible influence on the development of international accounting standard, and also these countries have in common a number of features (citizens are associated with shareholders; adoption of territorial decentralization, the public sector is not very different from the private sector, the existence of mature accounting and auditing professions). The content analysis is a technique of qualitative research, systematic and replicable in which elements of a message / text are compressed into fewer content categories based on encoding rules. This research technique is common in the literature on accounting and accounting standards (Krishansing, 2006; Fearnley & Hines, 2007; Singh & Knsal, 2011; Jarva & Lantto, 2012).

Inspired by Lang (2002), the paper presents some paradigms of public sector combinations for identifying the factors that induce public entities for combinations, reviewing qualitative research, proposing a series of conceptual approaches to synthesize the literature. Kuhn (1996) offers a contemporary sense of the concept, using the term to refer to theoretical frameworks in which operate all scientific thought and practice. We believe that the conceptual approaches that are presented in this study are paradigms because they represent a set of assumptions, concepts, values and practices which constitute a general perspective, a way of seeing combinations of public sector entities by the authors.

To answer the following research question (regarding the essential differences between public and private sector) it is performed a comparative analysis based on review of literature on the following aspects: public sector versus private sector, financial management, financial reporting, and public sector combinations versus business combinations.

The paper also studies the evolution and development of accounting standard on public sector combinations by IPSASB. We believe that the importance of this topic and IPSASB impact on the accounting treatment on public sector combinations, there is a need to examine the feedback from organizations interested in this issue and also the direction evolved by the standard. The paper analyzes the reactions of preparers of financial and accounting information, users, auditors, standardization organizations and other stakeholders to the proposals made by IPSASB. In this sense, the analysis involves a detailed examination of comment letters for the Consultation Paper on combinations of public sector entities. It is therefore used a qualitative approach based on the content analysis of comment letters received by IPSASB for Consultation Paper "Public Sector Combinations". The comment letters are collected from the official website of the IPSASB and the research involves a detailed examination of their contents. Subsequently, it is performed a detailed analysis of narrative and text content and, where appropriate, the comments of respondents who had more ideas and / or proposals are grouped. A major problem of our research is the grouping of answers because they are unstructured due to the open type of questions. Thus, information from respondents' comments was compressed into fewer content categories. Analysis of comments received by accounting organizations in the drafting of accounting standards is common in the literature (Jorissen *et al.*, 2006; Asekomeh *et al.*, 2006; Holder, 2013; Adhikari, 2014).

Regarding the accounting systems in the public sector, a group of them found in the literature is the accounting approach of Anglo-Saxon countries (Australia, Canada, New Zealand, United Kingdom and United States) at one extreme and the continental European to the other extreme (Chan, 2008; Jones, 2007). While for the public sector, Anglo-Saxon countries apply or at least rely on private accounting standards for preparing and presenting general purpose financial statements, and continental European countries and other countries recognize the difference between private and public sector accounting. The paper presents the two accounting models. The research methodology for the next part of the study is modeled around the review of the accounting treatment of combinations of public sector entities in accounting standards in six countries: Britain, Australia, New Zealand Canada, South Africa and USA. In particular, the similarity coefficients are calculated between these national accounting standards and IPSAS on combinations of public sector entities. We have chosen these countries, as mentioned above, because they are among the respondents of Consultation Paper " Public Sector Combinations" of IPSASB; they have accounting regulations for public sector combinations; and they share a number of common features, including the same direction and accounting practices. In addition, to answer the fourth research question in the paper are calculated coefficients of similarity and dissimilarity regarding the accounting treatment of combinations of public sector entities to measure formal harmonizing of accounting standards in Anglo-Saxon countries with international accounting standard proposed by the IPSASB.

To find out what kind of public sector combination occurred in Romania in recent years, the study examines these transactions in various sectors (e.g. education, health, taxation and culture) using a descriptive analysis. In particular, the research focuses on the wave of public hospitals combinations that occurred after the new health law (Law no. 95/2006), using quantitative approach. Also, to show the particularities of the accounting treatment of these combinations the study uses documentary analysis. Law no. 95/2006 is the legal framework for reorganizations (including combinations) from hospital system. In accordance with art. 174 par. (1) of Law no. 95/2006, public hospitals of the Ministry of Health are set up or dissolved by government decision. Thus, data are collected from all the substantiation notes and government decisions published on reorganization (amalgamation) of public hospitals on the official website of the Romanian government in the period 2009 - June 2016.

In addition, the study analyzes the indicators extracted from two databases: DRG (Diagnosis Related Groups - includes performance indicators of all health institutions with beds and have a contract with the insurance of health and / or the provision of clinical data patient level) and the situation of transmission and reporting of budget execution of revenue and expenditure valid in the centralization of monitoring costs for Romanian public sector hospitals. To analyze the consequences of hospitals amalgamations are analyzed both financial and non-financial indicators a year before the amalgamation (year n-1) and one year after amalgamation (year n). The indicators analyzed in this study are: frequency of cases, the number of days of hospitalization, average length of stay - DMS, total revenues, total revenues subsidies, total revenue from external financing, total expenditures, total expenditures from own revenues, total expenses from grants from the state budget, total expenditures from subsidies from the local budget, total spending of allocations from the revenues of the Ministry of Health, total staff costs, total current expenditure, expenditure on goods and services surplus / deficit and the number of beds.

Summary of PhD thesis' chapters

Chapter 1 Combinations of public sector entities - a conceptual clarification

Combinations of entities are present both in the public and private sectors, known as "mergers", "acquisitions", "consolidations" or "amalgamations". Since the reshaping of administrative structures is an activity as old as government itself (Cole & Eymeri-Douzans, 2010: 396), since the 1960s, combinations of public sector entities become a topic examined in the literature even though the vast majority of research on combinations of entities are made in the private sector.

In the first chapter, it is analyzed the scientific literature on combinations of public sector entities, which underlies this work by carrying out a review of international scientific research in the period 2000 - June 2016 in the field. The sample of researches was selected from seven databases (accessed between December 3, 2014 - August 31, 2016): Taylor & Francis, Science Direct, Springer Link, Sage, Ebsco, Wiley Online Library and Emerald. For the basis of conceptual clarification of combinations of public sector entities, in this work, are also the regulations from USA (developed by GASB), Canada (developed by PSAB), South Africa (developed by ASB) and at international level developed by the IPSASB. These regulations were chosen because they are specific to these types of events (combinations of entities) that occur in the public sector. Another important element is that the professional accounting organizations of the three countries are among the respondents of Consultation Paper "Public Sector Combinations" of the IPSASB. Also, the three countries included in the analysis (USA, Canada and South Africa) have some common characteristics, i.e.: citizens are associated with shareholders; adoption of territorial decentralization; the public sector is not very different from the private sector; the existence of developed accounting and auditing professions. Other common features of these countries are: the presence of accrual accounting system and the presence of organizations performing standards, independent of government.

So far, there is no consensus in the studies in our field of interest regarding the best conceptualization of public sector combinations. The literature tends to use different terms for inter-organizational relationships (RIO) and agreements between public institutions: combination, consolidation, coordination, cooperation and collaboration are just some of

them. It is therefore important to understand the difference between these concepts and to use them correctly.

One of the criteria for analysis and grouping of articles analyzed is the theory used. The most used theory is institutional theory. By using this theory the authors place combinations of public sector entities in a broader framework and context. The literature on public sector combinations propose different paradigms that could affect these events. To synthesize the literature, this section of the paper focuses on presenting paradigms of public sector combinations (isomorphism, public policy, natural selection, resource dependency and competition) and conceptual approaches, some of which Lang (2002) revises.

The remaining sections of the paper operationalize this framework, in order to explore more aspects of the phenomenon of institutional combinations occurring within the public sector.

Chapter 2 Steps for development of the international accounting standard for combinations of public sector entities

Currently, there is no international standard that provides specific requirements on accounting for combinations of public sector entities. In addition, it seems that the only countries that have an accounting regulation that takes into account specific conditions and circumstances that are normally encountered in these events are the USA, UK and South Africa. The absence of accounting regulations in this area undoubtedly contributed to diversity in practice. This chapter provides an opportunity to understand the important differences between combinations of public sector entities and those in the private sector.

Circumstances and conditions that are normally encountered in combinations of public sector entities differ significantly from those of business combinations. Many of them emerged from the differences between the two sectors for entities, financial management and accounting sphere (presented in the same chapter).

Given the importance of this subject, and the impact of IPSASB on financial reporting in general and on the accounting treatment for combinations of public sector entities in particular, we conducted a longitudinal analysis of the development of an IPSAS, dedicated for combinations of entities, based on documents issued by IPSASB. We consider that the development of international standard regarding the combinations of public sector entities has

a trajectory that has taken into account properly the characteristics of public sector and the proposals of respondents.

IPSASB published in June 2012 the Consultation Paper (CP) entitled "Public Sector Combinations". IPSASB requested comments on seven specific matters for comments (SMC) and nine preliminary views (PV) until 31 October 2012. In this chapter are analyzed the reactions of preparers, users, auditors, accounting organizations and other stakeholders to the proposals made by the IPSASB. Therefore, a qualitative approach is used based on content analysis of comments received by the IPSASB for Consultation Paper "Public Sector Combinations".

Chapter 3 Accounting treatment for combinations of public sector entities in the anglo-saxon countries

The aim of this chapter is to measure the differences and similarities between regulations in Anglo-Saxon countries (USA, South Africa, Canada and the UK) and the Consultation Paper of the IPSASB "Public Sector Combinations" to see what regulation might influence on developing the international regulation which is still under discussion by members of IPSASB. It also wants to show that even in Anglo-Saxon countries, where according to the literature (Chan, 2003; Jones, 2007; Pina *et al.*, 2009) public sector accounting is not very different from the private sector is the concern of professional organizations to highlight the characteristics of entities combinations in the public sector.

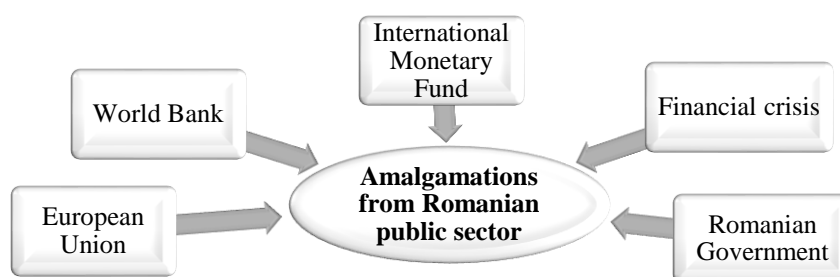
To show the particularities of accounting for combinations of public sector entities, the study is based on a content analysis of the regulations on the accounting of these events. In particular, research is formed around the analysis of the accounting treatment of public sector combinations in International Accounting Standard and accounting regulations of four countries: Canada, South Africa, UK and USA.

It is analyzed a sample of 286 items of accounting practices in the international regulation of accounting and national accounting standards in Anglo-Saxon countries (11 regulations) and the levels of concordance between the two sets of regulations (national set of regulations and Consultation Paper).

Chapter 4 Analysis of amalgamations of public sector entities in Romania

Given that there are some significant gaps in the literature regarding amalgamations of public sector entities in the Romanian context, this chapter aims to contribute to the existing literature in this area. It is important to understand the motivations and characteristics of the radical program of amalgamations and closures of public sector entities conducted by the Government especially after the issuance of Law no. 329/2009, because the identified specific elements will foster understanding and deepening the phenomenon of amalgamations and the appropriate accounting treatment in the context of the public sector in Romania. Thus, this chapter investigates the need, motivation, and the drivers of amalgamations in the Romanian public sector in the last decade, especially after Romania joined the European Union (Fig. 3).

Figure nr. 3 Factors of entities amalgamations from Romanian public sector from the last decade



(Source: author)

Given the current financial situation requiring budgetary constraints, the past two decades, Romanian public sector has undergone a process of reform. Restructuring through the amalgamation of public sector entities is included as a priority in the category of sector reforms to reduce spending. These circumstances require a revision of national regulations and defining a new strategic approach, with implications for the management of public sector entities. One objective of the chapter is to analyze the pre-amalgamation of public sector entities; amalgamations that took place in Romania in recent years (2009 - June 2016). The study analyzes these transactions in various areas (eg health, culture and tax administration, education) in the context of regionalization. To show the particularities of these amalgamations, research using primary documents and resources is based on a content analysis of the law of 2009 - June 2016. As a documentary research, the study examines the elements of pre-amalgamation of public sector entities, such factors such as the expected social impact, typology and the purposes of analyzed amalgamations. Thus, we collected and

analyzed data from Government Decisions and Substantion Notes on the amalgamation of public sector entities which are available on the official website of the Romanian Government. The research involves content analysis of 43 Substantion Notes published from 2009 to June 2016.

As was noted in the first chapter, the most researched areas from the research literature on public sector combinations is that of local government and health. The amalgamation of municipalities in Romania are only in the discussion phase, and public hospitals have undergone a wave of amalgamations lately. In addition, most of the period 2009- June 2016 amalgamations took place in the health sector. For these reasons, he was chosen to illustrate in this sector the effects resulting from amalgamations.

Currently, in Romania there is no complete accounting regulation about combinations of public sector entities. However, there are some regulations that highlight some issues regarding this subject, they are: Law no. 287/2009 on the Civil Code, Law 329/05.11.2009 and the Order of Minister of Finance no. 1917/2005 amended and supplemented. We believe that Romania needs a more detailed regulation aimed to improve the way in which the types of combinations are reported by public institutions at central and local level and to suit the reporting requirements of the public sector.

General conclusions, contributions, limitations and research perspectives

General conclusions

As mentioned at the beginning of this paper, the central research question of the PhD thesis is: Is there a need for a specific financial reporting standard designed for combinations of public sector entities? The answer to this question is provided through the five operational objectives: clarification of the term "combination of public sector entities"; identifying the main differences between the public and private sectors that contribute to the need for a separate financial reporting standard designed for public sector entities combinations; presentation of accounting treatment for combinations of public sector entities in the IPSASB projects; presenting the accounting treatment of public sector combinations in Anglo-Saxon countries and identifying the regulation that have the greatest influence in developing the IPSAS "Public sector Combinations"; presentation and analysis of characteristics, the practical implications and accounting treatment of different types of public sector combinations that took place in Romania. These objectives are implemented and achieved in the four chapters the findings of which are presented below.

Adopting a model of private sector financial reporting such as IAS / IFRS has been questioned as incompatible with the report for the public sector (Broadbent, 1999; Pallot, 2003; Christiaens, 2004). Thus, these accounting regulations do not refer to the conditions and circumstances that are normally encountered in such events. Therefore, users are unable to obtain the necessary information to evaluate the nature and financial effect of a combination of institutions that appear in the public sector.

In Chapter 1 "Combinations of public sector entities - a conceptual clarification" concludes that it is necessary for a better conceptualization of combinations of public sector entities, because it is confusing and imprecise in the literature. Combinations of public sector entities differ from cooperation, coordination and collaboration in terms of their depth and complexity of integration. There are also different types of restructuring in the public sector, but only mergers, acquisitions and transfers of operations / functions are included in the institutional combinations. Given the complexity of public sector combinations, public managers can be overwhelmed by the dynamism that these events can create and they must fully understand the exact nature and implications.

There are various factors which favors combinations between public sector organizations. In this context, the paper identifies certain paradigms of public sector combinations in the literature: isomorphism, public policy, natural selection, resource dependency and competition.

The research results of chapter two "Steps for development of the international accounting standard for combinations of public sector entities" reflects the need for a separate set of standards for the public sector, which focuses on financial management and accounting peculiarities of this sector. Ownership is one of the major conventional distinctions between public and private organizations. Thus, the main objective of the entities in the public and private sectors is quite different, influencing the financial reporting: in the private sector the main objective of entities is to make a profit, but public sector entities have as purpose the supply of goods and services they citizens needs. Different users also in the two key sectors lead to different financial accounting information needs.

Historically, Anglo-Saxon and most of the continental European countries represented two different accounting approaches in the public sector (Chan, 2008; Jones, 2007). While Anglo-Saxon countries apply or at least rely on private accounting standards for preparing and presenting general purpose financial statements, continental European countries and other countries recognize the difference between private and public sector accounting. However, the study results achieved in the third chapter "Accounting treatment for combinations of public sector entities in the anglo-saxon countries" reveals that even in Anglo-Saxon countries there is a tendency to emphasize the characteristics of public sector in regulations for combinations of public sector entities. Some of the concepts and approaches presented in the accounting documents are materially different from those described in IFRS.

By analyzing amalgamations of public sector entities performed in fourth chapter entitled "Analysis of amalgamations of public sector entities in Romania" it could be noticed the presence of isomorphism in the Romanian public sector. It can also be identified, in particular, the two main types of isomorphism of institutional theory: *normative* (where an organization is strongly influenced by rules set by an external body - the Romanian government) and *coercive* (pressure comes from a superior organization - the Romanian government influenced by international organizations: IMF, World Bank and European

Commission). Public sector organizations are actually more vulnerable to all three types of isomorphism pressure (normative, coercive and mimetic) than other organizations and this vulnerability is important in the debate on New Public Management (Frumkin & Galaskiewicz, 2004).

A central question of the fourth chapter is whether Romania needs accounting regulation on combinations of public sector entities. So far, accounting for transactions of combinations is not specifically addressed in national regulations. However, some features in the private sector can not be assimilated directly to combinations in the public sector. For example, public sector transactions are not necessarily carried out on commercial terms; most of them are non-exchange transactions and transactions between public institutions which are under common control. Moreover, the public sector in Romania, as in other continental European countries, is different from the Anglo Saxon countries and does not include acquisition of entities and the acquisition method is not applicable.

Contribution

This section presents the added value that we believe that we managed to bring in the sphere of knowledge of accounting for combinations of public sector entities. Thus, a conceptually contribution refers to clarifying the term "combination of public sector entities" by presenting the difference between it and cooperation, coordination and collaboration in terms of their depth and complexity of integration.

An important contribution to the literature is also achieving qualitative analysis of the sample of articles published during 2000 - June 2016 in seven databases (Taylor & Francis, Science Direct, Springer Link, Sage, Ebsco, Wiley Online Library and Emerald), after which it was found that the prevailing research methods used are case study and statistical methods. Most studies from the sample analyze combinations of public sector entities of local government (mainly municipalities) and most of the studies investigate combinations of public sector entities from Europe. Also, it is important to note that in the period under review (2000 - June 2016) there is no article that treats combinations of public sector entities in accounting terms, except that written by Mitu and Tiron (2013). The concept of "New Public Management" is frequently used by authors, and institutional theory is the theory used in researching these

public sector events. All these studies show that the combinations that occur in public sector are common events, even if they have not attracted the interest of many researchers.

We have tried to emphasize in the paper that a standard for accounting and financial reporting designed for combinations that appear in the public sector is essential because public sector entities are basically different from private entities. Accounting guidelines which are currently applicable to public sector entities combinations do not refer to the conditions and circumstances that are normally encountered in the public sector combinations. Thus, reporting of events in the financial statements may not be consistent or appropriate for public sector bodies. It is also important that such consultation document is proposed for comment, because different combinations of public sector entities were and are quite common in many countries (eg, Switzerland, UK, Scotland, Australia).

Chapter three of this paper provides a contribution to the insufficient literature on adoption of IFRS in the public sector and IPSASB's tendency to highlight the particularities of this sector by developing IPSASs. This chapter also presents an overview of the global accounting community's reaction to IPSASB's proposals for accounting treatment of combinations of public sector entities. IPSASB received 26 comments for the Consultation Paper for such transactions, in which are required seven specific matters for comments and nine preliminary views. This research finds that, in general, respondents agree with IPSASB's subject on combinations included on its agenda and support the development of a standard for the combination and the approach suggested in the consultation document. However, there are some visible differences between the respondents. The Court of Accounts of France does not respond to any SMC because the Consultation Paper focuses on acquisition parts, but should explore more public-oriented situations. In addition, feedback on PV is not very positive, because there are few respondents who comment on them. The results of this study support the idea that to be successful this standard, further investigation is needed on the implications of theoretical and practical combinations. Moreover, only after issuing the conceptual framework that identifies objectives and specific function of financial reporting in the public sector accounting standards thereunder (including the standard for combinations of entities) will be adequate to the information needs of specific users of accounting information.

We believe that this study is conducted in a timely manner because internationally the importance of accounting in the public sector is increasing. Consequently, many jurisdictions,

as exemplified in ongoing or final regulations issued by the US, Canada, South Africa and Great Britain, performed changes in accounting regulations for combinations of public sector entities.

Although the study from chapter four is based on a small sample of amalgamations, the findings suggest, as noted above, that the government (influenced by international organizations) has a broader role and political and financial pressures are the dominant factors of amalgamations in recent years in Romania. Therefore, this study confirms previous results and provide further evidence to suggest that decisions regarding amalgamations in the public sector do not necessarily result due to economic and declared factors (Fulop *et al.*, 2002; Choi & Brommels, 2009).

The conclusion of chapter four reflects a practical perspective on the challenges of public sector amalgamations in Romania, in the context of the reform process. Results from this study suggest that although the Romanian government has made great strides in defining the regions through amalgamations of public sector entities, municipalities regionalization is not done until now. Instead, the current financial situation that requires taking into account budget constraints and the government's public spending cuts, reorganizations of public sector entities through amalgamations have become increasingly common in recent years in Romania. These circumstances are the result of the fact that currently the government drafted a strategy to reduce public sector spending. Thus, the Romanian government undertook a radical program of closure of public sector entities between 2009 and June 2016, which resulted in over 50 amalgamations (according to the substantiation notes of the sample).

In chapter four, we also presented the additional aspects that Romanian accounting regulation OMFP 1917/2005 should include: definition of amalgamations, a more detailed accounting treatment of public sector combinations, accounting method used, to specify explicit recognition and the valuation of assets and liabilities of the entity resulting from the amalgamation and amalgamation date, more information on disclosure. All these elements must be consistent with the other Romanian regulations, but also to take necessary additional aspects of international regulations (ED 60 “Public Sector Combinations”). In addition, these elements are necessary given that in recent years, and in general, amalgamations are common phenomena in Romanian public sector architecture.

In conclusion, we believe that was achieved the fundamental objective set at the beginning of this research, namely to prove that a financial reporting standard designed for combinations that appear in the public sector is necessary because there are some key differences between the circumstances in which can appear combinations of public sector entities and business combinations.

Research limits

Any scientific approach, in addition to the significant contributions that can bring to the knowledge in this field, has some limitations that are inherent and must be considered. An important limitation, which has a potential impact and which must be considered is that the literature review carried out in the first chapter is confining to journals and books written in English, given that there are also other important studies in this domain written in different languages.

Given that there is no financial data on public hospitals, only since 2011, the sample analyzed in chapter four, is done only for seven hospitals resulting from amalgamations in period 2012-2014. Also, for the same reason we did not analyzed financial and non-financial data of the hospitals before being absorbed.

An important limitation is that the results and conclusions of this paper are theories that need to be examined in other contexts, in a continuous process of development of knowledge of studied area of research (i.e. accounting for combinations of public sector entities). Thus, further investigation regarding the theoretical and practical implications of public institutional combinations are needed.

Research perspectives

Regarding future research perspectives in this field, they are largely related to the annihilation of limits of this research presented in the previous section. Therefore, we believe that in the future it could be taken further research which addresses the issues described below, and to expand the studies made in the four chapters.

Combinations of public sector entities have occurred quite often in recent years and it is expected that these types of events will continue to happen in the future. However, there

seems to be an insufficient literature (compared to the private sector) regarding interinstitutional public sector combinations, given that studies on combinations of public sector entities are often limited to case studies of certain combinations and hardly provide a generalization or theory. While this chapter provides an analysis of some aspects of the concept, typology and paradigms of combinations of public sector entities, it calls for further studies in this area. The reasons that induce public sector organizations by the combination are largely different from the private sector. Therefore, future studies should focus on investigating the reasons and factors that are specific and those that are common to combinations of entities that appear in both sectors. In addition, paradigms developed in this paper could be further investigated and explored to clarify the factors influencing public entities to combine.

According to legislation on amalgamations, the rethinking of local governance provides key opportunities for public sector entities to improve public services and be strategic in local reconfiguration of these services. Further studies should be performed to validate the effectiveness of this strategy and to establish whether Romanian public sector configuration by the government and local authorities provide the promised results. Furthermore, the amalgamations of public sector entities happened relatively often globally in recent years and it is expected that these types of combinations in the public sector will continue to be made in the future. Thus, further research may investigate these events using an inter-state perspective.

It is important to note that the International Accounting Standard for combinations of public sector entities is still under development, so further studies are needed to examine the particularities of such events in various countries.

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