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THEORETICAL FOUNDATIONS AND CONCEPTUAL DELIMITATIONS OF ACCOUNTING POLICIES

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Abstract
This article uncovers the significance and role of accounting policies in the operations of entities and their impact on financial performance. The motivation that led the authors to explore this topic is the permanent importance and relevance of selecting appropriate and consistent accounting policies. Through the course of this article, we have found that each principle, rule, and requirement adopted by the entity from the alternatives provided in the accounting standards has implications for the accuracy of information concerning the organization's assets. These choices can influence the level of the results, the components of the financial statements, and consequently, the value of various economic and financial indicators. The authors primarily followed the descriptive method with the application of analytical and deductive elements. As a result of this analysis, we highlighted the importance, timeliness, regulatory requirements, and significance of these policies in the preparation of financial statements and the evaluation of performance.

Keywords: *accounting policies; alternative variants; financial performance; relevance of accounting policies.*

JEL Classification: *M42.*

I. INTRODUCTION

The accounting reform is influenced by the profound changes occurring in the economic sphere, driven by the development of the globalization process. In this context, every entity is obligated to develop, approve, and implement its accounting policies which must, on one hand, comply with the current applicable accounting regulations, and on the other hand, accurately reflect the unique characteristics of the entity's operations. Consequently, accounting policies serve as an indispensable tool for legal drafting, ensuring compliance with both the prevailing legislation and the entity's interests, accounting operations, and the presentation of accounting information within the financial statements for the reporting period. Simultaneously, accounting policies serve as a control mechanism available to professional management, enabling the equitable treatment of transactions, the monitoring of the financial position, the response to competitive forces, and the continuous improvement of financial performance.

Accounting policies are a topic that is often discussed in academic and business settings (Tomasetti, 2023, Calotă, 2020; Pham & Phi, 2020). This is because every entity engaged in entrepreneurial activities, regardless of property type, branch affiliation, or organizational and legal form, is required to develop its accounting policies. Research (Frecăuţeanu et al., 2020; Matac et al., 2019) demonstrates that the ultimate goal in selecting accounting policy options should be to accurately represent the financial position, performance, and cash flows—crucial elements for entity valuation. From this perspective, the vital role of high-quality professional analysis in the selection, development, approval, and application of accounting policies becomes evident (Șoimu et al., 2020).

Given that accounting policies are practically a necessity for the successful evolution and development of any entity, often constituting a legal obligation, the relevance of this topic is visibly essential, particularly in the context of accounting standards.

Our research showed that scholarly literature covers a range of perspectives on the notion of accounting policies, particularly with regard to their definition, evolution, and application (Feleagă & Malciu, 2002). Most of these approaches (Jones, 2014; Cosmulese & Hlaciuc, 2019) analyze accounting policies to achieve an accounting system capable of accurately depicting financial results.

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Our research showed that scholarly literature covers a range of perspectives on the notion of accounting policies, particularly with regard to their definition, evolution, and application (Feleagă & Malciu, 2002). The majority of these methods (Jones, 2014; Cosmulese & Hlaciuc, 2019) examine accounting policies in order to create an accounting system that can faithfully represent financial outcomes. As a result, entities select the proper legal techniques for assessment, acknowledgment, and accounting; the implementation of these techniques guarantees that the outputs provided to users are accurately displayed. In this manner, the coherence and stability required for the smooth operation of entities and, not least, the integrity of their assets, are preserved.

The study's objective is to highlight key moments in accounting policy while emphasizing the ways in which these policies impact the information found in financial statements, particularly financial performance. The research's objectives included the following development: 1. To elucidate the advantages of adopting accounting policies that align with global norms; 2. To juxtapose the attributes of normative acts concerning the selection, formulation, endorsement, and execution of accounting policies in Romania and the Republic of Moldova; 3. To explicate the significance and role of accounting policies in the operations of entities.

In this particular context, we formulated the substantiated hypothesis with the intent of accomplishing the predetermined research objectives.

Hypothesis 1: The accuracy, applicability, and comprehensiveness of the accounting policies have a major impact on the process of keeping records and preparing financial statements for the purpose of assessing financial performance (Tabără, 2015; Imbrescu & Haţegan, 2011).

The utilization of analysis and synthesis techniques, in conjunction with comparison, induction, and deduction elements, allowed us to identify and highlight the most important information found in the field of study. These studies were carried out in compliance with specific bibliographic sources, as well as legal and standard requirements within the accounting industry. Both national and international normative acts provided as inspiration and points of reference for this study.

II. ACCOUNTING POLICIES INSTRUMENT AS AN ESSENTIAL PART OF FINANCIAL DATA PRESENTATION

An entity's accounting policies are essentially a set of internal normative acts that specify how assets, liabilities, income, expenses, and financial results are measured (Boghean & Boghean, 2020).

Achieving financial performance is a goal shared by all entities. Regarding this, some organizations try to produce a very comprehensive document, while others address the matter formally and provide only broad details in their accounting policies (Molociniuc et al., 2022). Consequently, it becomes quite challenging to verify compliance with the fundamental rules, principles, and criteria that shape the financial results. Additionally, this situation significantly hampers effective financial result management and overall operations while reducing the capacity to analyze information related to asset elements. However, recently, the role of accounting policies has expanded considerably, evolving into a valuable tool for efficient entity management (Bădicu & Mihaila, 2014; Pham & Phi, 2020; Grigoroi et al., 2023).

In accordance with Art. 18 paragraph (3) letter b) of Law No. 287/2017 on Accounting and Financial Reporting, every entity in the Republic of Moldova is obligated to ensure the development, approval, and implementation of accounting policies in accordance with accounting standards and other normative acts developed in accordance with Art. 8 paragraph (1) letter b) of the aforementioned law. These requirements are outlined in the NAS (2013) regulations "Accounting policies, changes in accounting estimates, errors and subsequent events".

In Romania, the obligation to develop, approve, and apply accounting policies in accordance with the applicable accounting regulations derives from the requirements of Accounting Law no. 82/1991, specifically in Article 30-31 and Article 24 paragraph (4), as well as Order 1.802/2014, which approves the Accounting Regulations on individual annual financial statements and consolidated annual financial statements.

The development and application of accounting policies in international practice are governed by the requirements outlined in IAS 8 "Accounting policies, changes in accounting estimates and errors", as well as IAS 10 "Events after the reporting period".

The authors investigated the current accounting requirements and summarized the findings regarding accounting policies in Table 1.

Table 1. Comparative characteristics of the normative acts related to the selection, development, approval, and application of accounting policies in the Republic of Moldova and Romania, under international requirements

Comparative aspects	Republic of Moldova	Romania	International requirements
The normative	NAS "Accounting policies,	Order no. 1802/2014 for the	IAS 8 "Accounting policies,

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act	changes in accounting estimates, errors and subsequent events"	approval of the Accounting Regulations on individual annual financial statements and consolidated annual financial statements	changes in accounting estimates and errors" IAS 10 "Events after the reporting period"
Defining accounting policies	Accounting policies – principles, bases, conventions, rules, and specific practices applied by an entity when keeping accounts and drawing up financial statements (point 4).	Accounting policies – principles, bases, conventions, rules, and specific practices that an entity applies to the preparation and presentation of annual financial statements (point 60, paragraph (1)).	Accounting policies – principles, bases, conventions, rules, and specific practices applied by an entity when preparing and presenting financial statements (point 5 of IAS 8).
Elaboration of accounting policies	Not stipulated	Specialists in the economic and technical field, familiar with the activity carried out and the strategy adopted by the entity (point 61, 2).	Not stipulated
Approving and perfecting accounting policies	It is approved by the individual responsible for maintaining accounting and financial reporting (point 5) through the completion of a disposition document (point 6).	It is approved by the administrators of the entity. In the case of entities that do not have administrators, the accounting policies are approved by the individuals who are obligated to manage the respective entity (point 61, 1).	Not stipulated
Selection of accounting policies	It is selected by each independent entity for each management period (point 5), based on the accounting regulatory system (point 7).	Use of professional judgment in applying the recognition and evaluation criteria to the entity's specific circumstances.	When an IFRS specifically applies to a transaction, the accounting policy to be applied must be determined by applying that IFRS (as outlined in point 7 of IAS 8).
Deviations from the requirements of the accounting regulatory system	If the accounting regulatory system does not prescribe specific accounting methods, the entity is permitted to create the corresponding method following the requirements of the Accounting and Financial Reporting Law and other regulatory statutes (as outlined in point 8).	Not stipulated	In the absence of a specific IFRS for a transaction, management must exercise professional judgment in developing and applying an accounting policy that produces relevant and reliable information (paragraph 10, IAS 8).
Requirements for the selection and application of accounting policies	Compliance with the general principles and qualitative characteristics of the information in the financial statements, as prescribed by Law No. 287 (point 10), is essential. This includes maintaining consistency for simulated economic facts throughout the management period and from one period to another.	When drafting accounting policies, it is essential to adhere to the requirements outlined in these regulations (points 61, 3). Maintaining consistency in policies from one financial year to another is crucial (point 50).	The appropriate accounting policy must be selected and applied consistently for similar transactions, other events, and conditions unless an IFRS specifically requires or permits the classification of items for which different policies would be appropriate (paragraph 13, IAS 8).

Source: NAS "Accounting policies, changes in accounting estimates, errors and subsequent events" (Republic of Moldova), Order no. 1.802/2014 for the approval of the Accounting Regulations on individual annual financial statements and consolidated annual financial statements (Romania), IAS 8, IAS 10.

The information presented in Table 1, as well as the accounting practices, allow us to formulate the following conclusions:

- ✓ Although the nature of the entity's operations plays a crucial role in selecting accounting policies, all entities base their development on the overarching requirements stipulated in the current accounting regulations.
- ✓ The definition of accounting policies is nearly identical in the normative acts of Romania and the Republic of Moldova, as well as in accordance with international standards. As a result, "keeping accounts"

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is added to the definition of the researched object when discussing the Republic of Moldova's requirements. According to IAS 8's definition of accounting policies and the rules enacted in compliance with European Directives, accounting policies are only required for the preparation and presentation of financial statements (Matac et al., 2019). Therefore, we believe that the role of accounting policies in the Republic of Moldova's normative framework is more extensive, as it specifies their goal, the relevant time frame, and the documentation needs.

✓ The procedure for developing accounting policies involves selecting an option from several options permitted by legislative and normative acts. Indeed, the diversity of alternative options provided by the current system of legal regulation of accounting is limited and cannot anticipate all the debatable, controversial, and confusing situations that may arise in one entity or another during its operations. Therefore, when such situations arise, for which no alternative recording options are provided, other reference sources should be consulted using professional judgment (Manea, 2006; Dascălu, 2020). The technical details, adherence to fundamental principles, and the qualitative aspects of the data all play a role in justifying the selected methodology. For every operation that is carried out, from the creation of primary supporting documentation to the completion of financial statements, the entity chooses and creates a set of procedures on its own. By doing this, it performs the function of converting the activities carried out by the entities into accounting. In this case, the selection of guidelines, norms, and specifications in line with the particular industry and technology process determines the objective creation of financial results (Mărăcine, 1998; Cosmulese & Hlaciuc, 2019).

✓ The accounting policies adopted by entities can impact the size of the financial statement elements and, consequently, financial performance. This is a result of various valuation and calculation methods, as well as the exercise of professional judgment. When an entity chooses a different method from that of other entities, it results in a variance in financial performance.

✓ If a specific aspect is not addressed in the regulatory accounting framework of the Republic of Moldova, the entity has the right to independently develop the necessary method. In point 10 of IAS 8, it is explicitly mentioned that 'in the absence of a regulatory framework capable of governing a particular event, the entity's management should exercise professional judgment in creating and applying an accounting policy that results in relevant and reliable information.' It may consider the most recent standards from other standard-setting bodies that share a similar conceptual framework for developing accounting standards, other types of accounting literature, and accepted practices within the industry, provided they do not contradict the sources mentioned in point 11. In this context, we can infer that the accounting regulatory system, in general, grants entities a degree of autonomy, allowing them the right and opportunity to develop accounting methods for specific aspects not covered by the accounting regulatory framework.

✓ Accounting information users' analysis and evaluation of financial statements leads to the requirement for accounting policies. It is also a result of the standards' mandate that information that clarifies the meaning of the financial indicators be included in the explanatory notes of a section on the disclosure of accounting policies.

✓ The accountable individual or administrator issues an order for the approval of accounting policies (in the case of Romania and the Republic of Moldova). Accounting policies lose their legal force as normative acts of internal use and are unable to justify the transactions recorded by the accounting service in the absence of the issuance of such a document.

Certain topics, like the recognition of costs, expenses, and revenues; the recognition and depreciation of fixed assets; the current stock valuation method; the establishment of requirements; the revaluation of fixed assets, etc., represent the goal of accounting policies (Tabără, 2015). Entities in this situation need to take into account transactions unique to their operations. Additionally, they should be flexible in the options they choose. These options can include, among other things, tracking and registering advance receipts, avoiding the risk of non-payment by determining the solvency of their customers and putting advance payment procedures in place, methods for adjusting previously recorded income, daily monitoring of sales logs and receipts, and supervising applied rates and granted commissions (Bedrup, 1995; Calotă, 2020).

Thus, when setting up the accounting models for particular transactions, accounting practitioners have a lot of responsibilities. They have to strictly adhere to applicable accounting standards and regulations and take into account a number of requirements outlined by approved accounting policies. For accounting practitioners and specialists, this calls for a continuous training process (Șoimu et. al., 2021).

Therefore, professional accounting and financial staff must be involved in order for management of each entity to fulfill their legal obligation to develop and implement accounting policies as efficiently as possible. Without a doubt, efficiency is a crucial prerequisite for the entity's expansion. We believe that accounting policies will become purely formal if they are limited to a list of rules or replicating policies implemented by other organizations, which may lead to accounting outcomes that are not truly reflective of reality.

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III. Conclusion

From a legal and business-interest perspective, accounting policies are crucial instruments for guaranteeing the correct conduct of accounting operations. They have a big influence on how accounting data is presented in financial statements. One essential aspect of accounting policy is the ability to choose an accounting treatment or valuation rule from among the many options offered by accounting regulations and then get approval for this treatment or rule.

Accounting policies are subject to regulation in both their creation and implementation, but they are essential in guaranteeing correct accounting of financial transactions in accordance with relevant accounting laws. Accounting policy drafting and implementation is a very complicated process that requires the assistance of experts in the field. The only way to guarantee the quality needed to accomplish the suggested goals, including a positive effect on financial performance, is in this manner. As a result, creating sound accounting policies and applying them consistently are essential to achieving performance. Annual financial statements are instruments for assessing the caliber of information that organizations provide, which increases their ability to compete. This is why we believe that well-founded and consistently applied accounting policies can lead to better integration of the entity into the external environment and promote the harmonization of efforts to create an internal environment conducive to achieving the objective of financial performance.

Accounting policies will be chosen and applied consistently for comparable transactions, occurrences, and circumstances. The development and implementation of accounting policies intended to yield pertinent and reliable information will necessitate the use of professional judgment in the absence of a standard or an interpretation that is specifically applied to a transaction, event, or circumstance.

Accounting policies enable the attribution of an event's or transaction's effects to the enterprise's financial performance and/or financial position, regardless of the accounting system in use. The main goal of the accounting principles and regulations that govern the preparation and presentation of an entity's financial statements is to lessen uncertainty for the various users of accounting information. The implementation of accounting principles improves the significance of financial data and strengthens the economic basis for managerial decision-making.

In conclusion, we see that accounting policies serve to improve financial performance in different ways. By understanding the benefits of accounting policies, management can develop and implement them within the entity to improve both the quality and efficiency of financial reporting.

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