THE EVOLUTION OF THE ACCOUNTING PRACTICES DURING THE RECENT ECONOMIC CRISIS: EMPIRICAL SURVEY REGARDING THE EARNINGS MANAGEMENT

Cătălina Gorgan[1], Vasile Gorgan[2], Valentin Florentin Dumitru [3*] and Ileana Cosmina Pitulice [4]

[1) 2)3)4)] *Academy of Economic Studies, Bucharest, Romania*

Abstract

Financial markets rely on confidence and confidence is supported by the presumption that financial statements are accurate and reflect the economic reality. Financial scandals from 2001-2002 as well as the recent economic crisis have raised questions about the integrity of accounting information provided to investors and other categories of users. In this context, our study aims to analyze the extent to which financial reporting is involved in financial crisis and, on the other hand to outline the changes produced by the crisis in the quality of financial information reported by companies. The main objective of the paper consist in arguing that earnings management by discretionary accruals for big European companies decline during the recent economic crisis compared to previous period.

Keywords: discretionary accruals, earnings management, accounting information quality, international financial reporting standards (IFRS), economic crisis

JEL Classification: M 41

Introduction

After the boom that followed the major financial scandals, the economic landscape dominated by globalization was overshadowed by the appearance of an awkward character: the global economic crisis. The origins of the crisis have been investigated within several fields, ranging from subprime loans to quality of financial reporting and the use of fair value accounting. Financial markets rely on confidence and confidence is supported by the presumption that financial statements offer a fair view of financial position, performances and changes in equity. Under the crisis circumstances, worries were raised concerning the integrity of accounting information offered to investors and other categories of users.

The quality of financial reporting is vital in building the global economy. This is the reason why IFRS states in the first paragraph of its constitution that it acts in "public interest" in order to develop a set of accounting standards that require financial statements which

* Corresponding author, **Valentin Florentin Dumitru** – valentin.dumitru@cig.ase.ro

contain high quality, transparent and comparable information, useful to global markets participants and other categories of users in making decisions.

Under the circumstances of financial markets expansion and multinational companies development, it becomes obvious the need of complex, transparent and comparable financial information. In this context, it is noted the significance of large scale application of high quality global standards, accepted by the national standard setters. The global implementation of International Financial Reporting Standards (IFRS) is a solution in this respect, the quality of financial information being the result of the way these standards are applied in each country or company.

Many of the decisions taken by the accounting professionals in the process of the activities developed at the level of the company relies on anticipating the future, on assumptions, expectations, estimates. All of these ask the management for the most difficult, subjective or complex professional judgments. Financial statements preparation often requires the intervention of the professional judgment. Its role is extremely important when developing accounting policies if they are selected from the alternatives allowed in standards and interpretations. Although it is recommended that the choice of accounting policies and estimation techniques of those accepted will be made in order to obtain the best information for decision making, the manager may be often tempted to make a subjective choice (for example: reduction in income or increase in it).

Exercising the professional judgment, combined with the flexibility of financial reporting that allows entities freedom in the implementation of accounting regulations, plus the managers' behaviour under agency theory[1], lead to a situation where earnings management affects the quality of financial statements. Big financial scandals and economic crisis burst have proved the weakness of some financial information and their negative impact on the good functioning of the market.

According to reviewed literature, we conducted an empirical study on the quality of earnings reported by companies through determining the discretionary accruals incorporated in these earnings. The importance of our study is given by the current context of global economic crisis and particularly of heated discussions about the role of financial reporting the outbreak of the crisis. We aim to capture the evolution of earnings management before and after the global economic crisis. Unlike our work, previous studies focused on the evolution of earnings management, but in other conditions, for example, the auditor, the application of IFRS in one country or more, the outbreak of the Asian crisis, etc.

Our research is structured as follows: literature review on the quality of financial reporting, global economic crisis and earnings management; research methodology; results of the empirical study; conclusions outlining and future research directions.

[1] The agency theory states that there is a significant information asymmetry between the mangers and the company's owners (stockholders), asymmetry that generates a conflict of interests. As most of the time the owners do not have the necessary knowledge and cannot control the managers' activity, they make decisions that lead to a decrease in the benefits that should get to the stockholders. In the same time, the managers can manipulate the information they communicate the stockholders, to answer better the control analyzing their activity.

1. Literature review

Accounting development kept up with economy and society overall progress. In order to adapt to world changes and to meet the more and more complex user needs, accounting should increase the value of information provided (Gorgan et al., 2008). Vital conditions for market efficiency consist in users' confidence in the companies' financial reporting. The emergence of seemingly contradictory information (for example, in 1996, France-Télécom reported a profit of 350 million according to French standards, but a loss of 5.65 billion USD according to international standards), big financial scandals from the beginning of this century (e.g. Enron) and recent economic crisis have eroded confidence in financial statements.

Improving the quality of financial reporting is a must in the context of global economy. Standard setters' concerns should target the creation of a framework for trusted and transparent financial reporting in order to serve as a foundation for decisions of different categories of users. In the process of global accounting convergence which involves most of the world countries, significant steps were taken. The global implementation of IFRSs is seen as solution for achieving high-quality financial reporting. Results of many studies showed as effects of mandatory IFRSs adoption: *enhanced financial reporting, comparability and financial statement transparency* (Jermakowicz and Gornik-Tomaszewski, 2006; Ball, 2006; Christensen et al., 2007; Horton et al., 2010).

Nevertheless, Ball (2006) considers that "*Implementation is the Achilles heel of IFRS*". Because of the existence of different reasons, especially economic or political, it is expected that the implementation of IFRS will be unequal in the world, including Europe. Significant international differences in financial reporting practices and financial reporting quality are unavoidable. The main concern raised by the wide adoption of IFRS is related to investors' situation who will be misled thinking that there is more uniformity in practice than it really is. Such uneven adoption reduces the advantages of a single set of standards from which investors should benefit, such as reducing information costs and obtaining risk free information.

On the background of international accounting convergence efforts and of those aiming to improve the quality of financial reporting, the economic crisis emerged. The literature provides plenty of information on the causes of economic-crisis, often contradictory even among the leading specialists in the field. Most of those who approach crisis (insurance companies, banks, university or other entities) believe that it began as a result of the U.S. *housing bubble burst.* Banks were again in the centre of discussions, due to subprime loans. The magnitude of recent economic crisis is given by innovations related to derivatives.

Todt (2009) deem that the origins of recent crisis is the US-American housing market, which, although is only one market in one specific nation is a significant one in the world's most important economy. U.S. housing market was driven by a speculative bubble financed by the cheap-money policy of the Federal Reserve System. In a first step banks sold mortgages on bonds. In a second step they used the cash obtained from the sale of the securities mentioned above in order to expand mortgage loans using leverage. It is obvious in this process the ease of lending without proper assessment of risks. The process was repeated over and over, resulting a tremendous amount of loans accompanied by a large number of securities with uncertain value and investors uninformed about their quality. The proof that system failed was outline by real estate which ceased to worth so much, loans which could not be refunded, the decrease value of financial assets regardless their category, the lack of money, investors' concern and their increased attention on risks. Entire financial system was affected (significant fluctuations of currencies and interests, stock markets going down, etc.)

Totir and Dragotă (2011) deem that these sophisticated derivatives were so complex that almost no analyst (including rating agencies as Standard and Poor's, Moody's etc.) could foresee in a convincing manner the danger.

Global crisis generally *challenged accounting and audit*. IFRSs and especially *fair value* were severely criticized. Accounting and audit standards proved to be vulnerable, many companies taking advantage of uncertainty, lack of transparency, accounting regulations gaps especially in terms of capturing innovations related to financial instruments, reported impressive results without a real increase of value. An adjustment of global standardization process had to be considered.

The role played by financial reporting and especially by fair value in the global crisis has been widely debated. For some researchers fair value influenced little or not at all the crisis, being "just a messenger who now is shut" (Turner, 2008) while others believe that it made a decisive contribution in deepening crisis. Laux and Leuz (2009) assert that the fair value model didn't contribute to such a great extent, but also it was not just a messenger. Magnan (2009) investigate how fair value model affects financial reporting, especially for financial institutions which were deeply affected by the financial crisis of 2007-2009. After analysing the "analytical and empirical evidence (which are limited)" on the role of fair value in the current crisis, the author concludes that although the crisis is, to some extent, still on-going, the evidence suggests that the *fair value amplified crisis* especially for institutions that held assets during the crisis in markets that have experienced the lack of liquidity. Implementation of the fair value model is full of difficulties, which seriously affects its potential benefits. Moreover, while its role in financial crisis may have been exaggerated, there is evidence that the use of accounting in market values could contribute to a contagion effect of bankruptcy among financial institutions. Thus, accounting "could have been more than a messenger."

Some authors argue that not the fair value model is the problem, but rather the quality of communication (Leone, 2008, cited in Magnan, 2009). Information on fair value can be misleading, thus, almost to the crisis, both Lehman Brothers and AIG were solvent and sufficiently capitalized, with significant portions of their balance sheet based on fair value. Thus, using the fair value model without adequate additional disclosure is neither fair nor accurate and it does not provide correct information on the risk of assets.

Measures taken by the international normalization, which created an *Advisory Group on Financial Crisis* (FCAG), unveiled a certain vulnerability of existing accounting model before the world economic crisis (too low transparency, poor standards for financial instruments, application information on determining fair value and insufficient risk, etc.). This is compounded by the limits of corporate governance systems and problems in risk management (Gîrbină, 2009). Advisory Group examined how the quality of financial reporting could be improved in order to regain investor confidence in financial markets.

Review of international standards was carried out in accordance with user needs in order to increase transparency and provide information to improve their ability to make decisions.

The financial crisis has highlighted the important role played by the IASB, emphasizing the need for a single set of worldwide accounting standards.

To distinguish between high quality information (most useful) and a lower quality (less useful), the characteristics that make an information useful must be taken into account. The qualitative characteristics of the accounting information and their hierarchy are examined, primarily through a conceptual accounting framework (Feleagă et al., 2008). Unlike the old international conceptual framework which required four main qualitative characteristics: understandability, relevance, reliability and comparability, in the new conceptual framework, *relevance* and *faithful representation* are considered the fundamental qualitative characteristics of accounting information as they are defined in the IASB Conceptual Framework (Conceptual Framework, qualitative characteristics – QC 5). Accounting information usefulness is increased if it is comparable, verifiable, timely and understandable (QC 4). Reliability is thus replaced by faithful representation.

The information is considered relevant when it influences users decisions (QC6). The forecasting and validating role of information are closely related to relevance. In order to fulfil the faithful representation requests, financial information must meet the underlying characteristics of completeness, neutrality and freedom from error (QC 12).

The accounting options, given the existence of more policies and/or estimation techniques used to solve an accounting issue, lead to choices which does not always produce the best result in decision making process. Often, the manager may be tempted to make a subjective choice (e.g. to reduce or increase the profit). Many times the manager can choose subjectively. The use of the freedom given by options in order to create an attractive image to external users leads to earnings management practices.

Financial statements preparation often requires professional judgment. This, combined with the flexibility of financial reporting, which offers companies freedom in the implementation of accounting rules, and the behaviour of managers according to agency theory, lead to a situation where *earnings management affects the quality of financial statements*. Accrual accounting is considered to be the standard accounting practice for most companies excepting very small ones. According to accruals system the performance and the financial position of a company are measured recognizing economic events regardless of when cash transactions occur. Earnings management refers to the deliberate manipulation of accounting information by managers using discretionary options offered by the standards specific to accrual accounting system.

In our opinion, although important steps were taken in order to increase the quality of financial reporting, there is still plenty of room for managers to manipulate the accounting information to serve their interest. This seems to be more obvious when companies are facing some restrictions imposes by situations determined by economic crisis, investigations of government institutions, the change of external auditor etc.

Healy (1985) was the first author that dealt with earnings management using term *discretionary accruals*.

Jenajean and Stolowy (2008) classify the methodologies of studying the earnings management as it follows:

- Studies that use discretionary accruals;

- Studies that use specific accruals;
- Studies that analyze the static characteristics of the earnings in order to identify some breakeven points.

Iatridis (2010) identifies a number of situations in which earnings management is used:

- Transferring earnings from "good" years to "bad" years;
- Postponing income recognition to reduce the tax burden;
- The eagerness of companies to reveal positive results correlated with the trend of postponing negative results;
- Options of managers entitled to stock options or bonus schemes to use discretionary accounting policies in order to increase their current or future compensation.

Previous studies revealed that *high discretionary accruals denote earnings management*. Generally, the studies analyze the evolution of discretionary accruals around some events with significant impact on subject companies (investigations on import tax exemptions, financial scandals, auditor change, financial crisis, etc.).

Jones (1991) proposes a model for determining the level of discretionary accruals with two versions: *cross-sectional* (data from more companies within the same industry, in the same period of time) and *time series* (data of a single company over different periods of time). Subsequent studies on discretionary accruals use this model or slightly modified versions. Measuring discretionary accruals starts with measuring what is considered normal accruals. The following factors are considered to influence the level of normal accruals: total assets, changes in net revenue, changes in accounts receivables, gross property, plant, and equipment, and return on assets. *The level of discretionary accruals is determined through a regression*. Their value is given by the *residuals of regression equation* which is the part of total accruals that cannot be explained by the evolution of above mentioned factors. Jones' study investigate *the level of discretionary accruals during investigations on import tax exemptions*, revealing that during this period managers use methods that lead to lower revenues and discretionary accruals tend to lower revenues in the final year of investigation.

DeFond and Subramanyam (1998) investigate *the evolution of discretionary accruals for companies which change their auditor*. The results of the study show a significant decrease in the last year before the change occurs and an insignificant decrease in the first year after change. Likewise, they observe that firms with high litigation risk tend to report relatively higher discretionary accruals.

Kothari et al. (2005) prove that methods used to determine discretionary accruals show lower specificity for firms with unusual performances. This is the reason why they modify the model by introducing *ROA (Return on assets)*, proving that studies on earnings management that rely on the new model have a higher degree of confidence.

Jeanjean and Stolowy (2008) *investigate the impact of adopting IFRS on earnings management in Australia, France and United Kingdom*. The results of the study outline that earnings management practice hasn't declined following the mandatory introduction of IFRSs, with the opposite effect in the case of France. They conclude that institutional factors and managers incentives play an important role in shaping the characteristics of financial reporting, even more important than financial standards considered on an individual level.

Cohen (2008) document that *earnings management through discretionary accruals increased steadily since 1987 until the passage of Sarbanes Oxley Act in 2002, and decreased significantly afterwards*. On the contrary real earnings management activities declined before the Sarbanes Oxley Act, followed by a significant increase.

Iatridis (2010) investigates *the impact of adopting IFRSs on the results of United Kingdom companies.* Using *inter alia* a model which examines the relation between discretionary accruals and cash flows, the results of the study reveal the reduced potential of earnings management after IFRSs adoption. Conclusions rely on less smoothed accounting results, readily recognition of massive losses and less frequent reporting of small profits as signs for earnings management.

Choi et al. (2011) analyze *the way the information value of reported revenues changed during the Asian financial crisis of 1997-1998*. Conclusions drawn from applying the model of determining the earnings components proposed by Jones (Jones, 1991) modified by Dechow et al. (1995) highlight primarily *a significant decline in the information value of discretionary earnings component* during crisis, and no effect on the nondiscretionary components of earnings. The information value of discretionary components was more severe in countries with weaker institutions and for firms with higher information asymmetries.

In line with the works cited above, our study will try to prove that given the restrictions impose by recent economic crises the financial statements tend to incorporate to a lesser extent items (discretionary accruals in our case) that can affect the quality of financial reporting.

2. Research methodology

The objective of the study consists in assessing the *quality of accounting information provided by biggest European companies before and during the recent world economic crisis (2008-2009)*. To this purpose, consistent with previous cited works, we examine the quality of earnings reported by companies through determining the discretionary accruals incorporated in these earnings.

Earnings reported by companies in their financial statements according to accrual accounting are materialized in cash flows and accruals. The latter can be divided into: 1) normal, nondiscretionary accruals, as resulted from operational and investing activity of the company and 2) abnormal, discretionary accruals which results from discretionary accounting policy of managers.

In order to assess the discretionary accruals we used the cross-sectional version of Jones model modified by Dechow et al. (1995) and Kothari et al. (2005):

$$\frac{TA_t}{Assets_{t-1}} = \alpha_0 + \alpha_1 \frac{1}{Assets_{t-1}} + \alpha_2 \frac{\Delta Rev_t - \Delta AR_t}{Assets_{t-1}} + \alpha_3 \frac{PPE}{Assets_{t-1}} + \alpha_4 ROA_t + \epsilon_t \tag{1}$$

Where in year *t* (or *t-1*):

TA-total accruals

Assets- total assets

ΔRev –changes in net revenue

ΔAR –changes in accounts receivables

PPE- property, plant and equipment

α_0, α_1, α_{02}, α_3, α_4 – the coefficients of the regression equation

ROA-return on assets

∈- residuals of regression equation

The measure of discretionary accruals is given by the residuals of the regression equation (∈). Total accruals are measured as difference between net profit and operating cash flow. The regression equation coefficients are estimated for companies from the same industry, in the same period, a minimum of 8 to 10 firms being required for each sample. Kothari et al. (2001) require at least 10 firms for each firm sample in the same industry, while Cohen et al. (2008) require a minimum of 8 firms. The grouping criteria consist in first two digits of SIC *(Standard Industrial Classification - SIC)* of the company taken into account.

Hypothesis tested:

H1. Earnings management by discretionary accruals of big European companies decline during the recent economic crisis compared to pre-crisis period.

The study is conducted on a sample of the biggest 30 European companies included in Global Fortune 2009. Company selection was driven by the restriction related to the minimum of 10 companies for each group determined by the first two digits of SIC code (Standard Industrial Classification). Companies were selected in the same order as they appear in the Forbes ranking, excluding those in the financial sector. We considered companies from the first three industries for which the minimum required number was completed (auto, energy, oil). Data requested by the model were extracted from annual reports published on their web sites by the companies included in the research (data from 2006-2009). Data were centralized with Microsoft Excel and statistically processed with IBM SPSS.

3. Results of the study

In order to assess the discretionary accruals, first we used multiple regression to measure the α_1, α_2, α_3 and α_4 for each of the industries considered, in every period analyzed. The regression equation also provides residuals (∈) for each company considered which are the part of total accruals that cannot be explained by the determinants of the model, actually the value of discretionary accruals.

Concerns were raised on the measurement of discretionary accruals using Jones model. These concerns pertain to the possibility of discretionary accruals to capture nondiscretionary components. Although we accept this limit in measuring discretionary accruals we deem that using discretionary accruals as a *dependent variable* and not as *explanatory variable* the results of our study will not be biased. The only consequence is a lower explanatory power of the model.

The following table contains the descriptive statistics of the results obtained. The median and standard deviation are presented for each important parameter of the model: normal accruals, non-discretionary accruals (NDAC), discretionary accruals (DAC) and the absolute value of discretionary accruals (ABSDAC). The first part of the table exposes these values for each year and each industry, the second contains these results synthesized for each year.

Table no. 1: Descriptive statistics of results obtained

Year	Industry	N	NDAC		DAC		ABSDAC	
			Median	Standard deviation	Median	Standard deviation	Median	Standard deviation
2007	Automotive	10	-0,0499	0,0360	0,0007	0,0344	0,0241	6,4239
	Energy	10	-0,0341	0,0395	0,0068	0,0287	0,0178	0,0166
	Petroleum Refining	10	-0,0325	0,0334	0,0030	0,0179	0,0076	0,0125
2008	Automotive	10	0,0158	0,0671	0,0178	0,0417	0,0250	0,6897
	Energy	10	-0,0299	0,0412	0,0038	0,0146	0,0095	0,0094
	Petroleum Refining	10	-0,0759	0,0213	0,0049	0,0148	0,0114	0,0078
2009	Automotive	10	-0,1012	0,0344	-0,0057	0,0153	0,0112	0,1079
	Energy	10	-0,0302	0,0180	0,0010	0,0095	0,0071	0,0052
	Petroleum Refining	10	-0,0490	0,0214	0,0020	0,0139	0,0088	0,0090
2007		30	-0,0353	0,0354	0,0030	0,0268	0,0177	0,0165
2008		30	-0,0485	0,0548	0,0073	0,0259	0,0147	0,0181
2009		30	-0,0500	0,0408	0,0002	0,0126	0,0088	0,0073

In order to test our hypothesis we used the method proposed by Cohen et al. (2008) comparing the median of the absolute value of discretionary accruals for the three years analyzed. The argument for using absolute value is the fact that we are interested in the existence of discretionary accruals and not in their direction (earlier recognizing or postponing of earnings). As shown in the diagram below discretionary accruals tend to decrease from 0.0177 in the year 2007 (before the crisis burst) to 0.0147 in the year of the beginning of crisis (2008). The decrease continued in the year 2009 (0.0088).

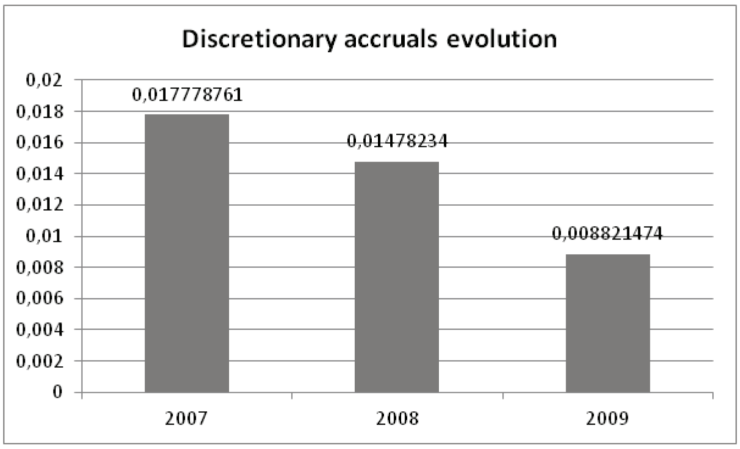

Figure no. 1: Evolution of discretionary accruals

To test the statistical significance of differences a t-student test was performed. The results of the test are presented in the table below:

Table no. 2: Results of t-Student test

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	DAC 2007 - DAC 2008	,00253	,02151	,00393	-,00550	,01056	,644	29	,524
Pair 2	DAC 2008 - DAC 2009	,00814	,02047	,00374	,00049	,01578	2,177	29	,038

The t-student test results show an insignificant decrease in year 2008 and a significant decrease in 2009 (t=2,177 at the required 0.05 level of significance) which confirms our hypotheses according to which earnings management by discretionary accruals for biggest European companies declines during the economic crisis of 2008-2009 compared with pre-crisis period.

Conclusions

Global financial turmoil raised in 2008 and early 2009 led to an impressive crisis generated mainly by securitization excesses, faulty financial intermediation, poor or excessive regulation which caused deep micro and macroeconomic imbalances. Although these phenomena have appeared first in the U.S., subsequently a large number of developed and emerging countries in Europe were influenced in various ways, leading to "a broad and complex discussion about the viability and functionality of the current international monetary and financial system architecture" (BNR, 2008).

The international standards-setting body and fair value model have been extensively debated and criticized. A number of authors, especially those representing banks vehemently accused fair value considering it the main factor triggering the crisis. Other researchers estimate that fair value emphasized the crisis. Supporters of fair value consider that it is only a messenger of information and if the message sent by it would have been taken into account timely measures could have been undertaken.

The measures undertaken by international standard-setting body in the context of economic crisis led to increased quality of accounting information necessary to support users' decisions. Some authors consider, however, that changes in accounting standards have created difficulties, deepening the crisis, because the widespread implementation of IFRS has led to a change in traditional accounting principles used for decades in different countries. In contrast, others see IFRSs as a chance to regain the confidence of users in companies and financial institutions. International accounting normalization does not seek to correct the undesirable effects of market mechanisms, but to improve their functioning through better communication of financial information (Burlaud and Colasse, 2010).

Financial markets rely on confidence and confidence is supported by the presumption that financial statements are accurate and reflect the economic reality. Earnings management alters the quality of accounting information which cannot any more be useful to financial markets participants or to other categories of decision makers. Analyzing on an empirical basis the evolution of discretionary accruals before and during the recent economic crisis, the present study reveals the decline of earnings management during the economic crisis compared to previous period.

The results of our study do not allow assigning all the decline of earnings management exclusively to economic crisis. There are also other factors that could have had an influence on this decline: the increased vigilance of investors, new regulation from professional bodies, investigations of governmental institutions, etc. Moreover, the decline of earnings management through discretionary accruals does not exclude the existence of other factors that could alter the quality of accounting information. In other train of thoughts, the inconveniences caused by reduced sample size and industries taken into account are, in our opinion, somewhat mitigated by the fact that they are the biggest European companies and were not arbitrary chosen.

The study results are consistent with previous studies from the same thematic area showing that during periods in which companies are affected by factors, usually exogenous (IFRS adoption, Sarbanes-Oxley Act, financial crisis) earnings management declines. Although these influence factors differ in the way they appear and manifest, at the end the effects seem to materialize in a number of restrictions which limits actions taken by managers to manipulate earnings. Consistent with other studies cited in this paper, we conclude that the adoption of IFRSs and strong institutional mechanisms are premises to reduce earnings management practices, increasing thereby the reliability of accounting information. On the background of worldwide implementation of international referential, there is an increase in transparency and comparability of financial statements. All these elements significantly contribute to restoring users' confidence in financial reporting of entities.

Future research will target an increased number of companies and industries. The behaviour of entities from a single country could also be investigated as well as earnings management evolution following the adoption of IFRSs by a particular country.

References

Ball, R., 2006. International Financial Reporting Standards (IFRS): Pros and Cons for Investors. *Accounting & Business Research,* 36(773), pp. 5-27

BNR, 2008. *Raport anual 2008.* Bucharest: BNR

Burlaud, A. and Colasse, B., 2010. International Accounting Standardisation: Politics Return? (I). *Audit financiar,* Iss. 1, pp. 3-12

Choi, J.H., Kim, J.B. and Junghun Lee, J., 2011. Value relevance of discretionary accruals in the Asian financial crisis of 1997–1998. *J. Account. Public Policy*, 30(2), pp. 166-187.

Christensen, H., Lee, E. and Walker, M., 2008. *Incentives or standards: What determines accounting quality changes around IFRS adoption?* [online] Available at: <http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1013054> [Accessed 10 January 2012].

Cohen, D.A., Dey, A. and Lys, T.Z., 2008. Real and Accrual-based Earnings Management in the Pre- and Post-Sarbanes Oxley Periods. *The Accounting Review*, 83(3), pp. 757-787.

Dechow, P.M., Sloan, R.G. and Sweeney, A., 1995. Detecting earnings management. *The Accounting Review,* 70(2), pp.193-225.

DeFond, M.L. and Subramanyam, K.R., 1998. Auditor changes and discretionary accruals. *Journal of Accounting and Economics*, 25(1), pp.35-67.

Feleagă, N. et al., 2008. *Politici şi opţiuni contabile*. Bucureşti: Editura InfoMega

Gîrbină, M.M., 2009. *Strategii si politici de gestiune a riscurilor si incertitudinilor,* Ph. D. The Bucharest Academy of Economic Studies.

Gorgan, C., Gorgan, V., Diaconu, P. and Coman, N., 2008. Globalization impact on the development of new directions as related to accounting. *The Annals of The University of Oradea. Economic Series,* Iss. 3, pp. 1245-1250.

Healy, P., 1985. The Effect of Bonus Schemes on Accounting Decision. *Journal of Accounting & Economics,* 7(1-3), pp. 85-107.

Horton, J., Serafeim, G. and Serafeim, I., 2005. Does Mandatory IFRS Adoption Improve the Information Environment?, *Harvard Business School Working Paper No. 126410,*. [online] Available at: <http://ssrn.com/abstract=1264101> [Accessed 15 December 2011].

IASB 2001. *Framework for the Preparation and Presentation of Financial Statements*. [online] Available at:<http://www.iasb.org> [Accessed 10 December 2011].

IASB 2010. *Conceptual Framework for Financial Reporting 2010*. [online] Available at: IASB:<http://www.iasb.org> [Accessed 10 December 2011].

Iatridis, G., 2010. International Financial Reporting Standards and the quality of financial statement information. *International Review of Financial Analysis*, 19(3), pp. 193-204.

Jeanjean, T. and Stolowy, H., 2008. Do accounting standards matter? An exploratory analysis of earnings management before and after IFRS adoption. *J. Account. Public Policy,* 27(6), pp. 480-494.

Jermakowicz, E. and Gornik-Tomaszewski, S., 2006. Implementing IFRS from the perspective of EU publicly traded companies. *Journal of International Accounting, Auditing and Taxation*, 15(2), pp. 170-196.

Jones, J., 1991. Earnings management during import relief investigations. *Journal of Accounting Research*, 29(2), pp. 193-228.

Kothari, S.P., 2001. Capital markets research in accounting. *Journal of Accounting and Economics*, 31(1-3), pp. 105-231.

Kothari, S.P., Leone, A.J. and Wasley, C., 2005. Performance Matched Discretionary Accrual Measures. *Journal of Accounting and Economics*, 39(1), pp. 163–197.

Laux, C. and Leuz, C., 2009. The crisis of fair-value accounting: Making sense of the recent debate. *Accounting, Organizations and Society*, 34(6-7), pp. 826–834.

Magnan, M., 2009. Fair value accounting and the financial crisis: messenger or contributor?. *Accounting Perspectives*, 8(3), pp.189-213

Todt, H., 2009. Some aspects of the economic crisis. *Amfiteatru Economic,* XI (Special No. 3), pp. 667-674.

Totir, F.C. and Dragotă, I.M., 2011. Current Economic and Financial Crisis – New Issues or Returning to the Old Problems? Paradigms, Causes, Effects and Solutions Adopted. *Theoretical and Applied Economics,* 18(554), pp. 129-150.

Turner, L., 2008. Banks Want to Shoot the Messenger over Fair Value Rules. *Financial Times*, 2 Oct. p.17.