

Public Interest Satisfaction and Accounting's Assuming of Social Responsibility. Accounting Data on Profit Tax in the Context of Corporate Social Responsibility

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Abstract A major objective of the accountancy and the professionals from the field consists in supporting the durable economic development by meeting the public interest, under the conditions of observing the ethical principles imposed to the profession. By this study we intend to illustrate and to analyze certain factors which can perturb the fulfillment of the role of accountancy and accounting profession, seen in terms of meeting the public interest and assuming the social responsibility. In order to meet the proposed objective regarding the research undertaken, we shall support our reasoning and the ideas expressed starting from the specific problematic of the profit tax, which we consider significant for the given context. In order to intercept some relevant images on the approached topic, we'll realize an analysis oriented in double sense, aiming the national rules on one hand and the international rules regarding the determination and the accounting of profit tax on the other hand.

1 Introduction

The public interest and the social responsibility are two concepts enjoying an increasing wide circulation in business environment, in general, and also in the more limited context of the financial-accounting management.

Although, at first sight, it would seem that there is no significant connection between the two concepts previously mentioned and the financial-accounting management, one can say that, analyzed in the wider context of sustainable development context, in fact, there can be identified important correlations which point out the real possibility that the way in which are managed specific issues of

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financial-accounting field influences the idea of public interest and social responsibility.

Among others, it is said about accountancy that it is a social science because it significantly contributes to the management and the distribution way of resources within the economy. That's precisely why between the accountancy and the public interest concepts, respectively, social responsibility is, besides the questions, a direct connection.

Compared with other professions, the accounting profession is associated with a definitive feature namely that of accepting the responsibility in regard of the public interest defined, in our opinion, in terms of the general good, like a desideratum aiming the fulfilment of specific necessities of all parties concerned by the activities developed by economic entities (shareholders, potential investors, creditors, clients, suppliers, state, employees etc.). This acceptance is a representative feature for the accounting profession because, as opposed to other fields where the professional provides a service in the interest of a well-shaped client, in case of specialists activating in the accounting or in the audit field, although the direct beneficiary of his services is the entity which employed him and paid him, in fact, indirectly, the real beneficiaries of the actions undertaken by them are multiple and they form the public whose interests shall be deserved (Toma and Potdevin 2008).

Herewith, a social responsibility is assigned to the accountancy and to the accounting professionals, because through the activity developed, they shall contribute to the human progress by ensuring the premises necessary to a healthy development of the entities deserved (Corpul Experților Contabili și Contabililor Autorizați din România [CECCAR] 2011).

Therefore, we find that a major objective of the accountancy and the professionals in the field consists in supporting the sustainable economic development by meeting the public interest, under the conditions of observing the ethic precepts imposed to the profession.

In the context of those previously mentioned, this study wants to illustrate the existence of some factors which can perturb the fulfilment of the objective listed above, among which will be brought in discussion aspects concerning the accounting normalization process and the existence of some standards in the field, showing the globalization phenomenon that imposes the passage from an accounting referential to another, the reports between accountancy and taxability, the infringement of doctrine and professional deontology rules etc.

In order to meet the proposed objective regarding the research undertaken, we will support our judgments and ideas expresses by starting from the specific problematics of the profit tax, which we consider representative. Moreover, in order to intercept a more relevant image on the approached problematics, we'll realize an analysis oriented in double sense, aiming the national rules on one hand and the international rules regarding the determination and the accountancy of the profit tax, in the other hand.

2 Background

For the accounting registration of tax consequences regarding the entity's result, the accounting practice retains two methods: current tax method (due) and deferred tax method (tax report).

Current tax method is based on the conception according to which the profit tax expense shall correspond to the due tax (the tax due to the state), which makes that this expense be calculated starting from the fiscal result, without taking into account possible temporary differences. Therefore, the ignorance of temporary differences in the calculation of the profit tax expenses makes that the fiscal charge don't be proportional anymore with the accounting result existing before the determination of the fiscal result and, as a consequence, don't be realized a corresponding connection of income expenses.

Deferred tax method begins from the prerequisite that on the determination of profit tax expenses shall be taken into account both the due tax related to the reciprocal exercise and the deferred taxes related to temporary differences. Through the accounting of deferred taxes, the fiscal effects of an operation are taken into calculation in the exercise when these occurred, even if these will be effectively borne in the following exercises.

2.1 Methodological Aspects Regarding the Determination and the Accounting of the Profit Tax in National and International Context

Considering the law regulating this problematics in Romania (Law no. [227/2015](#) regarding the Fiscal Code), for the beginning we'll mention that, in order to determine the taxable profit, it is used the current tax model (due) which takes into account the difference between the revenues and the expenses registered according to applicable accounting regulations, from which are reduced the non-taxable revenues and the fiscal deductions to which are added the non-deductible expenses.

In order to support the ideas to be subsequently expressed and in order to avoid the presentation of some normative aspects which can be found in specific legislation and also for a better perception of the methodology for determining the profit tax according to the national regulations, we refer to a case study, but without considering it as being exhaustive.

Working hypotheses on which our example is based are presented below (Table 1):

Table 1 Working hypothetical data (Own calculations)

Expenses	Amounts (thousand)
Costs of raw materials—consumptions	1400
Costs of raw materials—non-imputable gaps	120
Costs of consumables	600
Costs of energy and water	150
Costs of goods	800
Costs of insurance premiums—insurance of building, company	30
Costs of insurance premiums—life insurance for associate	90
Costs of protocol, advertising and commercial—contracted advertising	210
Costs of protocol, advertising and commercial—protocol	80
Costs of transport of goods and persons	174
Costs of travelling, detachments and transfers	7
Postal costs and telecommunications taxes	28
Tax duties and exercises—non-deductible	23.8
Tax duties and exercises—deductible	80
Salaries	310
Costs of insurances and social protection	108.4
Compensations, fines, penalties—paid to authorities	46
Other operational expenses—with supporting documents	36
Other operational expenses—sponsorships	50
Losses from receivables related to participations	360
Costs of exchange differences	36
Costs of interests	1200
Operational costs regarding the amortization of tangible assets	140
Operational costs regarding the allowances	90
Operational costs regarding the allowances—other non-deductible	36
Operational costs regarding the adjustments for the amortization of tangible assets	360
Operational costs regarding the adjustments for the amortization of circulating assets	80
Financial costs regarding the adjustments for the losing of value of financial assets	36
Financial costs regarding the amortization of obligations reimbursement premiums	42
Income tax expense	30
Total costs	6753.2
Revenues	Amounts (thousand)
Revenues from the sale of finished products	4600
Revenues from provided services	600
Revenues from the sale of goods	1200
Revenues from various activities	300
Revenues from compensations, fines and penalties—commercial	90

(continued)

Table 1 (continued)

Revenues	Amounts (thousand)
Revenues from financial assets	2540
Revenues from interests	80
Other financial revenues	30
Revenues from provisions	54
Revenues from adjustments for the depreciation of circulating assets	68
Revenues from adjustments for the losing of value of financial assets	50
Total revenues	9612

From the accountancy of the company we also know the following information:

- registered capital: 960,000 lei;
 - registered legal reserve: 20,000 lei;
 - indebtedness degree 3.67;
 - exchange rate interests and differences are related to bank credits;
- A. Accounting result = Total revenues – Total costs = **9,612,000 – 6,753,200 = 2,858,800 lei.**
- B. Fiscal result = Accounting result – (Non-taxable revenues + Fiscal discounts) + Non-deductible expenses.

2.1.1 Determination of Non-taxable Revenues

- a. **Dividend income**—according to the art. 23, letter a, Fiscal code, are non-taxable revenues “*the dividends received from a Romanian legal person*”: **2,400,000 lei**;
- b. **Revenues from adjustments**—according to the art. 23, letter d, Fiscal Code, are non-taxable revenues “*the revenues from the reduction or the cancelation of provisions for which no discount was granted*”: **172,000 lei.**

2.1.2 Determination of Non-deductible Expenses

- a. **Expenses with insurances which don't aim the goods of the company**—according to the art. 25, paragraph 4, letter g, Fiscal Code “*expenses with insurance premiums which don't concern the assets and the risks associated to the taxpayer's activity, except those concerning the goods representing a bank guarantee for the credits used in the development of the activity for which the taxpayer is authorized or used within some rent or leasing agreements, according to contractual clauses*”: **90,000 lei**;
- b. **Entertainment expenses**—according to the art. 25, paragraph 3, letter a, Fiscal Code, the entertainment expenses are deductible “*within the limit of a share of 2% applied on the accounting profit to which are added the profit tax expenses and the entertainment expenses*”.

Calculation basis = Total revenues – Total expenses + Expenses on profit + Entertainment expenses = 9,612,000 – 6,753,200 + 30,000 + 80,000 = 2,968,800 lei.

Deductible entertainment expenses = 2,968,800 × 2% = 59,376 lei.

Non-deductible entertainment expenses = 80,000 – 59,376 = **20,624 lei**;

- c. **Other taxes, duties and similar levies**—according to the art. 25, paragraph 4, letter k, Fiscal Code, are non-deductible “the expenses with taxes, contributions and levies to non-governmental organizations or professional associations which are connected with the activity developed by taxpayers and which exceed the equivalent in lei of 4.000 Euro per year, others than those provided by the law and at the paragraph (1)”: **23,800 lei**;
- d. **Expenses with fines and penalties**—according to the art. 25, paragraph 4, letter b, Fiscal Code, are non-deductible “the interests/the accruals for delay, the fines, the confiscations and the penalties, due by Romanian/foreign authorities, according to legal provisions, except those related to the agreements concluded with these authorities”: **46,000 lei**;
- e. **Expenses without legal documents**—according to the art. 25, paragraph 1, Fiscal Code, “for the determination of the fiscal result are considered the deductible expenses, the expenses made for the development of the economic activity”.

Under the conditions where, for realized expenses, there are no supporting documents, we can conclude the fact that there isn't possible to demonstrate the previously request, fact for which these expenses will be considered non-deductible from the fiscal point of view: **36,000 lei**;

- f. **Sponsorship expenses**—according to the art. 25, paragraph 4, letter i, Fiscal Code, are non-deductible “sponsorship and/or patronage expenses and expenses regarding private bourses granted according to the law”. Herewith, we shall keep in mind the fact that those taxpayers performing sponsorships and/or patronage acts deduct the related amounts from the profit tax due on the level of minimum value among the following:

1. the value calculated by applying 0.5% to the turnover;
2. the value representing 20% from the due profit tax.

Sponsorship expenses registered in the accounting evidence: **50,000 lei**.

Are determined the sponsorship expenses which can be decreased from the due profit tax:

Total revenues – Total expenses + Sponsorship expenses = 9,612,000 – 6,753,200 + 50,000 = 2,908,800 lei.

Profit tax before the deduction of sponsorship expenses: 2,908,800 × 16% = 465,408 lei.

Turnover = 4,600,000 + 600,000 + 1,200,000 + 300,000 = 6,700,000 lei.

Turnover × 0.5% = 6,700,000 × 0.5% = 33,500 lei.

Profit tax before the deduction of sponsorship expenses × 20% = 465,408 × 20% = 93,082 lei.

Sponsorship expenses which can be deducted from the due profit tax: **33,500 lei**.

Remark: the amount which wasn't deducted from the profit tax, respectively the amount of 16,500 lei is reported in the following seven consecutive years and its recovery will be realized in the same conditions, at each deadline of the profit tax.

- g. **Expenses with non-imputable gaps**—according to the art. 25, paragraph 4, letter c, Fiscal Code, are non-deductible “the expenses regarding the goods and the king of inventory or fixed depreciable assets found absent from the housekeeping or damaged, non-imputable and also the related value added tax”: **120,000 lei**;

Remark: These expenses are deductible if fixed depreciable inventory/assets go into any of the following situations/conditions:

1. damages existed as a result of some natural disasters or other Force Majeure causes;
2. insurance contracts were concluded;
3. they were qualitatively damaged and the destruction is proved;
4. they have an expired validity date, according to the law;

- h. **non-deductible VAT related to the non-deductible minuses to the inventory:**
 $20\% \times 120,000 = 24,000 \text{ lei}$;

- i. **Expenses with interests and losses in the exchange rate**—according to the art. 27, paragraph 1, Fiscal Code “expenses with interests are entirely deductible if the indebtedness degree of the capital is lower or equal to 3.” Paragraph 4 of the same article stipulates that “if expenses from differences in the exchange rate exceed the revenues from differences in the exchange rate, the net loss will be treated as an expense with interests, deductible according to the paragraph (1). Expenses/revenues from differences in the exchange rate, which enter within the provisions of this paragraph are those related to the loans taken into account for the determination of the indebtedness degree of the capital.” Analyzing the paragraph 5 of the art. 27, we find that it is mentioned the fact that “if the indebtedness degree of the capital is over 3 or the own capital has a negative value, the expenses with interests and with net loss from differences in the exchange rate are non-deductible”.

Indebtedness degree = $3.67 > 3$.

It results that are non-deductible the expenses with interests and with differences in the exchange rate: $1,200,000 + 36,000 = 1,236,000 \text{ lei}$;

- j. **Expenses with provisions and adjustments for depreciation/value loss:**
 $36,000 + 360,000 + 80,000 + 36,000 = 512,000 \text{ lei}$;

- k. **Profit tax expenses**—according to the art. 25, paragraph 4, letter a, Fiscal Code are non-deductible “own expenses of taxpayer with due profit tax, including those representing differences from the previous or from the current year and also profit or income tax paid abroad”: **30,000 lei**.

Fiscal result = $9,612,000 - (2,400,000 + 172,000) - 6,753,200 + (90,000 + 20,624 + 23,800 + 46,000 + 36,000 + 50,000 + 120,000 + 24,000 + 1,236,000 + 512,000 + 30,000) = 2,858,800 - 2,572,000 + 2,188,424 = 2,475,224 \text{ lei}$

Taxable result = Fiscal result – Legal reserve

Legal reserve calculation basis (according to the art. 26, paragraph 1, letter a, Fiscal Code “the *legal reserve is deductible within the limit of a share of 5% applied on the accounting profit, to which are added the expenses with profit tax, until it will arrive to the fifth part of the subscribed and paid-in share capital or of the patrimony, as applicable*) = Total revenues – Total expenses + Expenses with profit tax = 9,612,000 – 6,753,200 + 30,000 = 2,888,800 lei.

Total deductible legal reserve = 2,888,800 × 5% = 144,440 lei.

Maximum reserve to be established: 960,000 × 20% = 192,000 lei.

Legal deductible reserve to be established = 144,440 – 20,000 = 124,440 lei.

Taxable result = 2,475,224 – 124,440 = **2,350,784 lei.**

Due profit tax = 2,350,784 × 16% = 376,125 lei

Final due profit tax = Due profit tax – Sponsorship expenses according to the law = 376,125 – 33,500 = **342,625 lei.**

Profit tax already registered in accountancy: 30,000 lei.

Are also registered in accountancy:

$$\begin{array}{r} 691 \\ \text{“Income tax expense”} \end{array} = \begin{array}{r} 4411 \\ \text{“Profit tax”} \end{array} \quad 312,625 \text{ lei}$$

2.2 Profit Tax in the View of International Accounting Rules

The existence of some differences between the accounting and the fiscal rules, in respect to the determination of the fiscal result, imposes that the accounting result be submitted to some adjustments.

According to national regulations, the fiscal result is determined through the correction of the accounting result with certain permanent difference in the form of non-deductible expenses and, respectively, of non-taxable revenues.

In the view of international rules, in the present instance IAS 12 “Income taxes”, the fiscal result is obtained as a result of the adjustment of the accounting result with a series of permanent and temporary differences. Permanent differences are represented by non-deductible expenses and by fiscal deductions, as these were previously presented, while temporary differences are those appearing as a result of the time delay existing between the accounting of an element and its inclusion in the fiscal result (International Accounting Standards Board [IASB] 2015).

Therefore, according to the national rules, the fiscal result is calculated according to the relation:

Fiscal result = Accounting result – Non-taxable revenues + Non-deductible expenses (where the accounting result represents the difference between the total of revenues and the total of expenses).

On the other hand, according to IAS 12, the fiscal result is obtained starting from the following calculation relationship:

Fiscal result = Accounting result \pm Permanent differences \pm Temporary differences.

According to those previously mentioned, we find significant differences in respect to the way of approaching the analyzed problematics, represented, in the case of international referential, by the taking into account, in addition, of some temporary differences.

These temporary differences which, as a matter of fact, delimit the two accounting referential from the conceptual and the methodological points of view, in matters of taxation of results, are defined by IAS 12 as **being the differences between the accounting value of an asset or of a balance debt and their fiscal basis.**

It results that they can have the form of (Morariu et al. 2005):

- a. **taxable temporary differences**, which have as a result taxable revenues in the determination of taxable profit (or of fiscal loss) of future periods, when the accounting value of the asset or of the debt is recovered or discounted;
- b. **deductible temporary differences**, which have as a result values that are deductible for the determination of the taxable profit (or of fiscal loss) of future periods, when the accounting value of the asset or of the debt is recovered or discounted.

As a result, if the net accounting value (from the balance) of an asset is above its fiscal basis or the accounting value of a debt is below its fiscal base, it results taxable temporary differences, while inverse situations show the existence of some deductible temporary differences.

For the determination of temporary differences, it's necessary to know the fiscal basis of assets and debts, meaning the value assigned to them in fiscal purposes.

In case of assets, the fiscal basis is obtained through the deduction, from their accounting value, of the taxable amounts resulting from the recovery of the asset and the cumulative value obtained in this way with the deductible amounts resulting from the use of the asset.

The determination of the fiscal basis for debts needs the diminution of their accounting value with the deductible amounts resulting from the debt reimbursement, the value thus calculated being increased with the taxable amounts resulting from the debts reimbursement.

It's possible that, in certain situations, the fiscal basis of an element not be obvious immediately. In this case, IAS 12 recommends that the entity recognize a debt or a receivable regarding the deferred tax every time the recovery or the reimbursement of the accounting value of the respective element determines future payments regarding higher taxes (or lower) than it would be their value if such recovery or reimbursement won't have fiscal consequences (Morariu 2004).

Under these conditions, the emphasis of fiscal consequences of temporary differences in accountancy presupposes the registration of a debt regarding the deferred tax, in case of those taxable, respectively of a receivable regarding the deferred tax, in case of deductible ones. This means that Romanian entities applying IFRS shall use additional accounts by whose help they illustrate deferred taxes,

because national accounting regulations in force don't provide such accounts, namely: 1034 "Current profit tax and deferred profit tax recognized at own capitals", 4412 "Deferred profit tax", 692 "Deferred tax expense", 792 "Revenues from deferred tax income".

Debts regarding deferred taxes impose the emphasis of an expense, while the receivables regarding deferred taxes show an income, as presented below:

$$\begin{array}{rcl}
 692 & = & 4412 \quad \text{Deferred tax debt} \times 16\% \\
 \text{"Deferred tax expense"} & & \text{"Deferred profit tax"} \\
 4412 & = & 792 \quad \text{Deferred tax receivable} \times 16\% \\
 \text{"Deferred profit tax"} & & \text{"Revenues from deferred tax income"}
 \end{array}$$

At the recognizance of an asset, its accounting value will be recovered in the form of economic benefits which the entity will get during the future periods. When the accounting value of the asset exceeds its fiscal basis, the amount of taxable economic benefits will exceed the value to be allowed under the form of deductions in fiscal purposes. This difference represents a taxable temporary difference and the obligation to pay taxes on the profit resulting during the future periods represents a debts regarding the deferred tax. As the entity recovers the accounting value of the asset, the taxable temporary difference will be retaken and the entity will have a taxable profit.

The recommencement of debts regarding deferred taxes imposes the emphasis of a revenue:

$$\begin{array}{rcl}
 4412 & = & 792 \quad \text{Deferred debt tax} \\
 \text{"Deferred profit tax"} & & \text{"Revenues from} \\
 & & \text{deferred tax income"}
 \end{array}$$

On the other hand, at the recognizance of a debt, its accounting value will be reimbursed during the future periods through an output of resources from the entity incorporating economic benefits. When resources get out the entity, a part of or their entire value is deductible at the determination of the taxable profit of a subsequent period of that when the debt is recognized. In such cases, there is a temporary difference between the accounting value of the debt and its fiscal basis. As a consequence, it appears a receivable regarding the deferred tax in relation to the profit taxes to be recoverable during the future periods, when the respective part of the debt is allowed as reimbursement for the determination of the taxable profit. In a similar way, if the accounting value of an asset is lower than its fiscal basis, the differences leads to the apparition of a receivable regarding the deferred tax in relation to the profit taxes to be recoverable during the future periods.

The recommencement of temporary deductible differences generates reimbursements to the determination of taxable profits of future periods. Although, economic benefits under the form of the reimbursement of taxes payment will enter in the accounts of the entity only if this gets enough taxable profit in respect to which the reimbursements can be compensates. Therefore, the receivables regarding the deferred tax are recognized only when there is the possibility that will exist taxable profits in respect to which temporary deductible differences can be used.

The accounting value of a receivable regarding the deferred tax shall be reviewed on each date of the balance and reduced if it isn't probable to be available enough taxable profit in order to allow the use of the benefit of a part of the respective receivable or of the receivable in its entirety.

The recommencement of receivables regarding deferred taxes impose the emphasis of an expense:

$$\begin{array}{r} 692 \\ \text{"Deferred tax expense"} \end{array} = \begin{array}{r} 4412 \\ \text{"Deferred profit tax"} \end{array} \quad \text{Deferred tax receivable}$$

Example: In December 2011 an enterprise purchased and put in action a technological equipment whose accounting value (Av) is 200,000 lei. From the accounting point of view, the equipment is depreciated on a useful life duration of 4 years and from the fiscal point of view it taken in view the normal life duration of 5 years. The linear depreciation is used both in accounting purposes and in fiscal purposes. The gross accounting result in the year 2012 is 70,000 lei and 50,000 lei in the year 2016 and the profit tax rate is 16% (Table 2).

In the Year 2012

Taxable result = Accounting result + Temporary difference = 70,000 + 10,000 = 80,000 lei.

Current profit tax = 80,000 × 16% = 12,800 lei.

$$\begin{array}{r} 691 \\ \text{"Expenses with current profit tax"} \end{array} = \begin{array}{r} 4411 \\ \text{"Current profit tax"} \end{array} \quad 12,800 \text{ lei}$$

At the end of the year 2012, the net accounting value of the equipment, of 150,000 lei, is lower than its fiscal basis, of 160,000 lei, resulting a temporary non-deductible difference of 10,000 lei, fact for which it should be registered a deferred tax receivable in the amount of 10,000 × 16% = 1600 lei.

$$\begin{array}{r} 4412 \\ \text{"Deferred profit tax"} \end{array} = \begin{array}{r} 792 \\ \text{"Revenues from deferred} \\ \text{tax income"} \end{array} \quad 1600 \text{ lei}$$

As a result of previous registrations, is illustrated the following situation:

Table 2 Determination of temporary differences (Own calculations)

Year	Accounting depreciation	Fiscal depreciation	Net accounting value	Fiscal basis	Temporary differences
0	1 = Av/4 years	2 = Av/5 years	3 = Av - 1	4 = Av - 2	5 = 3 - 4
2012	50,000	40,000	150,000	160,000	10,000
2013	50,000	40,000	100,000	120,000	20,000
2014	50,000	40,000	50,000	80,000	30,000
2015	50,000	40,000	-	40,000	40,000
2016	-	40,000	-	-	-

Expenses with current profit tax: 12,800 lei;
 (–) Revenues from deferred taxes: 1600 lei;
 (=) Expenses with profit tax: 11,200 lei.

The bookkeeping of deferred tax allows a corresponding connection of expenses to revenues, the fiscal charge being proportional to the gross accounting result.

In the Years 2013–2015

The situation is similar, being performed the same registration:

$$\begin{array}{r} 4412 \\ \text{"Deferred profit tax"} \end{array} = \begin{array}{r} 792 \\ \text{"Revenues from deferred} \\ \text{tax income"} \end{array} \quad 1600 \text{ lei}$$

In the Year 2016

Taxable result = Accounting result – Temporary difference = 50,000 – 40,000 = 10,000 lei.

Current profit tax = 10,000 × 16% = 1600 lei.

$$\begin{array}{r} 691 \\ \text{"Expenses with current profit tax"} \end{array} = \begin{array}{r} 4411 \\ \text{"Current income tax"} \end{array} \quad 1600 \text{ lei}$$

At the end of the year 2016, the difference between the net accounting value of the equipment and its fiscal basis is recommenced, fact which generates the cancelation of deferred tax receivable registered during the previous exercises.

$$\begin{array}{r} 692 \\ \text{"Deferred tax expense"} \end{array} = \begin{array}{r} 4412 \\ \text{"Deferred profit tax"} \end{array} \quad 6400 \text{ lei}$$

As a result of previous registrations, it's obvious the following situation:

Expenses with current profit tax: 1600 lei;
 (+) Expenses with deferred profit tax: 6400 lei;
 (=) Expenses with profit tax: 8000 lei.

Example: A company contracted a credit about we know the following data: credit value 200,000 lei, interest rate 20%, the credit was contracted on 01.01.2015, credit duration 20 years, from fiscal point of view, the interest expenses are deductible on the time of the payment. The accounting result of the company in the year 2015 is 200,000 lei and in the year 2016 the accounting result is 100,000 lei. There are no other temporary differences except those appearing as a result of the recognizance of interest expenses on the time of the payment. What happens if the accounting result in the year 2016 is 30,000 lei?

Interest expenses registered in the year 2015 = 200,000 × 20% = 40,000 lei.

These expenses aren't deductible from the fiscal point of view, because these will be paid in the year 2016.

Fiscal result for the year 2015 = Accounting result for the year 2015 + Interest expenses = 200,000 + 40,000 = 240,000 lei.

Current profit tax due for the year 2015 = Fiscal result for the year 2015 \times 16%
 = 240,000 \times 16% = 38,400 lei.

$$\begin{array}{r} 691 \\ \text{"Expenses with current profit tax"} \end{array} = \begin{array}{r} 4411 \\ \text{"Current profit tax"} \end{array} \quad 38,400 \text{ lei}$$

Since in the balance of the year 2015 are recognized interest debts in the amount of 40,000 lei, it results that the accounting value of this debts is 40,000 lei. On the other hand, the fiscal basis of this debt is null, since the interest expenses will be recognized on the payment time, meaning in the year 2016. Accordingly, the accounting value of the debt is higher than its fiscal basis, resulting a temporary deductible difference of 40,000 lei, which generates a deferred tax receivable of 40,000 \times 16% = 6400 lei.

$$\begin{array}{r} 4412 \\ \text{"Deferred profit tax"} \end{array} = \begin{array}{r} 791 \\ \text{"Revenues from deferred} \\ \text{tax income"} \end{array} \quad 6400 \text{ lei}$$

In the year 2016 the interest will be paid and the deferred tax receivable will be retaken, while interest expenses which weren't recognized in the year 2015 to the calculation of the fiscal result will become deductible reducing in this way the fiscal result of the year 2016. For this, the enterprise shall estimate, before the registration of deferred tax receivable, that in the year 2016, it will have a fiscal profit at least equal to the value of temporary deductible differences which will be retaken, meaning 40,000 lei.

Fiscal result for the year 2016 = Fiscal result for the year 2016 – Interest expenses (became deductible) = 100,000 – 40,000 = 60,000 lei.

Current profit tax due for the year 2016 = Fiscal result for the year 2016 \times 16%
 = 60,000 \times 16% = 9600 lei.

$$\begin{array}{r} 691 \\ \text{"Expenses with current profit tax"} \end{array} = \begin{array}{r} 4411 \\ \text{"Current profit tax"} \end{array} \quad 9600 \text{ lei}$$

The receivable regarding the deferred tax registered in the year 2015 has no object, since both in its accounting value and its fiscal basis are null and it shall be retaken.

$$\begin{array}{r} 692 \\ \text{"Deferred tax expense"} \end{array} = \begin{array}{r} 4412 \\ \text{"Deferred profit tax"} \end{array} \quad 6400 \text{ lei}$$

If the accounting result in the year 2016 would have been 30,000 lei, it would have been insufficient for retaking the temporary deductible differences in the amount of 40,000 lei. In this case, the fiscal result is a loss of 10,000 lei and the enterprise cannot benefit of the advantage of retaking the temporary deductible differences. If the company would have estimated at the end of the year 2015 that it will get in the year 2016 a fiscal result of 30,000 lei, then it wouldn't have been registered the deferred tax, because the retaking of temporary deductible differences would have been higher than the estimated fiscal profit.

3 Solutions and Recommendations

3.1 Fulfillment of Public Interest and Social Responsibility Under the Influence of Disturbing Factors

Analyzed in the specific context of the profit tax, the general objective of the accountancy and accounting profession, fulfillment of public interest, shows certain difficulties in respect to its attainment, because, from this perspective, appear certain questions to which the accountancy hesitates to give a clear answer or it makes it in an inconclusive way.

In our opinion, can be identified certain factors disturbing the idea of fulfillment of public interest, as we perceived it in terms of accountancy and accounting profession, by fulfillment of information needs specific to all parties concerned with the activities carried forward by economic entities.

Below, we'll analyze also some of the factors previously referred, the way of presentation being synthetic, justified by the complexity of the approached problematics, which needs a corresponding particularization in a work of higher dimension.

3.2 Accounting Normalization Process

In this context, two distinct elements are brought in discussion: the existence of several categories of beneficiaries of the information provided by accountancy and, respectively, the accountancy standardization through rules transposed in legal rules.

We consider that the existence of some rules renders impossible the complacency, from the financial communication point of view, of all categories of users of accounting information. The question if information provided by accountancy succeed to answer to the diversity of users expectations, sometimes contradictory, only through the simple application of rules, was and remains actual. Without doubt that the production of information in order to fulfill the users' needs represents a fundamental objective of accountancy, but it raises the question in what measure it succeeds to keep an equidistance regarding their divergent interests. Herewith, we shall not omit that the appreciation of the way in which the true and fair view is rendered by accountancy represents a subjective process, influenced by the position on which is located each category of users. Thus, shareholders, for example, can have a certain view on the true and fair view image, while for the state and for the creditors, the same information can have another value or significance (Bădîrcea et al. 2016).

In terms of problematic related to the profit tax, the accounting normalization process infringes the desideratum of fulfilment of public interest, because the methodology for its determination, as it was previously presented, illustrates

several technical aspects which lead to the fact of giving advantage, from the methodological and the informational point of view, to certain categories of users of accounting information.

We support this idea because the results of economic entities can be brought to the desired image through the actions of accounting professionals and with “the acceptance” of accounting rules. The size of results depends, in many cases, on the accounting methods adopted. The accounting result, implicitly the fiscal result, is a subjective indicator, which depends on the concerned parties, on the economic and the political system, but also on the management and organization way of economic entities (Popa 2008a).

As a consequence, under the conditions where the existence of many accounting referential shows different categories, declared or undeclared, by privileged users of accounting information, it inevitably raises the question in which measure we can really speak about the fulfillment of the public interest in the sense of ensuring an informational symmetry.

3.3 Passage from an Accounting Referential to Another

The access to international markets of capitals involves the elaboration of several sets of financial situations, among which we mention: corresponding to the national referential; corresponding to the European rules, if the entity doesn't belong to the community space; corresponding to the international referential etc.

Pregnant manifestation of globalization phenomenon and mobility of capitals impose the adaptation of a common accounting language which facilitate the investment process, under the conditions of ensuring the comparability of information in time and space. The implementation of international accounting referential based on IFRS is the solution aimed for this problem, although, on global level, it is yet put in the matter the assurance of a convergence in the field.

In this context, the problem of the passage from a national accounting referential to that based on IFRS brings in discussion certain aspects raising question marks from the perspective of the subject in discussion—fulfilment of public interest. We consider here the discrepancy existing in respect to the results obtained under the conditions of the implementation of two different referential.

In order to support the ideas expressed, it's relevant the example of the company Daimler-Benz, the first German company registered to Security Exchange of New York which, in the year 1993, reported, according to the German accounting referential, a profit of 615 million DM and, according to US-GAAP, for the same financial exercise, as a result of the reconciliation, the result was reflected under the form of a loss of 1839 million DM (Popa 2008b).

This example, relevant in respect to the influence of the passage from a referential to another on the results of the entity, can bring justified queries in respect to their real size. Which of the two results corresponds to the requirement regarding the fulfillment of the public interest? Which of the two results is correct? In which of the two situations the public was correctly informed?

3.4 The Relationship Accounting-Taxability and Management of Results

The discrepancy we notice in this case consists in the fact that, in the case of national accounting referential, the accounting information has a privileged addressee represented by the Inland Revenue. But the role of the accountancy doesn't consist in serving the state's interest, but in serving the public interest, by providing useful information for all concerned users equally. The state is only one of those users and the major purpose of the accountancy is not that to provide information in taxation purposes, even if the fiscal result is based on the accounting result (Păunescu 2015).

The interposition of fiscal rules with the accounting rules, in our opinion, influences in a negative way the meeting of the general objective of the fulfillment of public interest, because, on one hand, as we previously illustrated, they create a privileged user of information—the state, and on the other hand, they stimulate professional reasoning aiming the management of the results depending on the interests of different parties involved in the management and administration process of entities.

The influence of users of accounting information by adjusting or manipulating the results contravene totally to the idea of fulfillment of public interest. On the other hand, the cosmetic change of the results or the implementation of some professional arguments aiming the exploitation of legal rules in order to diminish the results with the purpose of reducing the fiscal charge contravenes to the idea of assumption of social responsibility, under the conditions in which it is known the fact that a large part of the taxes collected by authorities are directed for the fulfillment of the public necessities.

In this context, we consider that a particular situation is represented by economic entities from Romania which implement IFRS as basis of the accountancy, because the determination of the profit tax, in their cases, presupposes the use of the accounting result, obtained through the application of the international accounting referential, as starting point in the application of fiscal rules. This condition of fact illustrates, in our opinion, two situations which can lead question marks in respect to the correctness of the financial communication process, in general, and of results, in special:

- the fact that the auditors of financial situations corresponding to IFRS give a reasonable and not an absolute assurance on the correctness of the accounting result, under the conditions in which it is known the fact that international accounting rules stimulate the professional reasoning based on accounting processing and options;
- in what measure the representatives of the Inland Revenue have the necessary competence to check if the accounting result, according to which the fiscal result is based, is correctly determined in the spirit of IFRS.

Therefore, we can conclude the fact that, in terms of determining the taxable profit, both the interaction between the accounting and the fiscal rules, and the practice of a creative accountancy can have negative repercussions in terms of fulfillment of public interest, under the conditions in which we discuss about users of accounting information which can follow different purposes from the point of view of the size of the results illustrated by the accountancy.

3.5 Infringement of Doctrine and Professional Deontology Rules

The assumption of a responsibility in regard of the public interest represents a distinct feature for the accounting profession. In our opinion, this responsibility can be analyzed from three points of view, but which aren't divergent, but on the contrary, it should have as goal to ensure a convergence, the convergence point being represented exactly by the meeting of this fundamental desideratum of the accountancy and the accounting profession, thus:

- the supply of some qualitative information which serve, equally, to the specific needs of all categories of users who form what we generically call the public;
- the supply of some qualitative professional services which justify the confidence of the public, oriented in the direction of supporting the durable development of business and the economic environment in general, according to the principles of the social responsibilities assumed;
- the existence of a direct relationship between meeting the ethical principles and ensuring the quality of services provided.

The observance of the principles promoted by the doctrine and the deontology of the accounting profession shall be seen as a significant part of the efforts oriented in the direction of meeting the general objective of assuming the social responsibility and fulfilling the public interest.

We express this point of view because the infringement of ethical principles in the profession can bring serious damages to its image, especially because, in our opinion, this disturbing factor can have amplifying effects on the other factors we previously analyzed.

Seen in terms of specific problematics of the profit tax, the infringement of doctrine and professional deontology rules shows certain aspects bringing in discussion ethical principles referring to morality, independency and professional competence. In this context, we illustrate the fact that the entire activity carried out by accounting professionals shall answer to some interdependent requirements, through whose cumulative fulfillment is ensured, in fact, the fulfillment of the desideratum to answer to the public exigencies, in the following way: professionalism = quality of provided services = credibility in information provided to the public = confidence in accounting profession.

Herewith, starting from the methodological elements we previously presented in respect to the determination of the profit tax, we can identify certain deontological aspects which, in our opinion, reflect on the desideratum aiming the fulfillment of the public interest and it affect, in equal measure, the credibility in accounting information and the confidence of the public in the accounting profession. From the aspects previously referred to, we list the most representative aspects below:

- exploitation of legislative lacunas, without infringing the rules, by using creative accountancy techniques, in order to “shape” the results in the favor of a concerned party and in the disadvantage of other parties;
- commitment of frauds, by falsifying the results, as a result of the intended infringement of legal provisions in force;
- infringement of fundamental principles of professional deontology: integrity, objectivity, professional competence, confidentiality etc.

4 Future Research Directions

Future research must take into consideration the limits of this study as well as possible extensions.

As a result, authors must think of several guidelines, considered to be the most relevant in this context:

- firstly, should be pointed out that the example of corporation tax, upon which was built the present study, is not the only which can be approached in relation to this topic and for this reason the analysis can be extended by bringing into discussion also other components of managerial and financial accounting such as: green accounting, production cost measurement, financial statements and financial communication process etc.;
- development and thoroughness of analyses carried out regarding the disturbing factors that have been brought up as well as taking into account other factors that affect the role of accounting in terms of public interest satisfaction and social responsibility;
- tackling the challenges of corporate social responsibility, not only from the perspective of ensuring the premises necessary for the sustainable development of economic entities, but also from the point of view of classical elements that the definition of CSR is based upon, namely: concern toward environment, companies’ investments in both human capital and environment-oriented technologies, relation between companies and stakeholders, involvement in humanitarian campaigns etc.

As a result of the above-mentioned standpoints, future research will be able to acquire a more dynamic and complex nature.

5 Conclusions

From the analysis realized, we can notice the fact that accounting professionals can encounter difficulties in respect to the realization of the desideratum concerning the fulfillment of public interest or, sometimes, even they are at the origin of some factors which can disturb the fulfillment of this objective.

Without derogating from the undisputable importance of the accountancy within the company, because of the major influence it can have on the development of an economy, it's our obligation to notify the fact that this is perfectible in respect to the production and communication process of specific information, thus the defaults identified can be corrected.

It's important that, through the products put at disposal of the public, the accountancy significantly contribute to the fulfillment of informational necessities of all participant actors to the development of economic activities.

Even if our analysis was intentionally limited, being realized only on the example of the profit tax, we consider that, because of the complexity of the subject, this can be extended by adding other elements and also by including some other disturbing factors in the research process, this approach involving the realization of a major study.

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