

**THE MINISTRY OF NATIONAL EDUCATION  
'1<sup>ST</sup> DECEMBER 1918' UNIVERSITY, ALBA IULIA  
THE FACULTY OF SCIENCE**

# **Ph.D. THESIS**

## **(SUMMARY)**

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**VALENCES OF CORPORATE  
GVERNANCE IN IMPROVING  
THE PERFORMANCE  
REPRESENTED IN THE  
FINANCIAL STATEMENTS**

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## **Keywords**

Corporate governance, Management and control system, Stakeholders, Corporate governance theories, Accounting reporting process, Accounting reports, Financial statements, Information theory, Accounting information, Performance, Economic performance, Global performance, Financial performance, Risks

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## **Introduction**

In the current international context in which national economies bear more and more the pronounced imprint of the international developments, there are new and multiple risks and uncertainties that may affect the processes and systems that ensure the management and controlling entities, or those through which the accounting effects are represented. Thus, to cope with a continuously changing and transformation environment, further action is required at the level of governments and authorities seeking viable solutions to the problems they face, as well as at each entity level by constantly adapting the government systems and processes, the management and financial reporting.

The effects of the government method on the performance of an entity are visible through the process of accounting reporting.

These are reflected both in the prints of conformity or non-conformity, produced to the accounting information in the financial statements and the limited informative ability of a number of constraints, inherent in the financial statements. Besides the direct impact on the decision-making processes of investment or disinvestment of capital, non-conformities and the partial reflection of the represented economic reality have direct or indirect effects on stakeholders and hence on all sectors of an economy with severe and multiple implications.

Based on these objectives, to provide new perspectives on the corporate governance, through the carried out research, we focused on a multidisciplinary approach to specific issues of the management and control systems , especially instrumented in the interdependence relations with the process of accounting reporting and the impact on the accounting representation of the financial performance.

In this context, *the main objective of the research is to identify the factors and the ways through which the corporate governance can help to improve the financial performance and its accounting representation*, with effects on the growth of credibility and transparency of the economic entities.

## **The methodology of research**

By applying a constructive methodology and the ‘truth – coherent’ principle, we investigated the role that governance plays in adequately controlling the risks related to the process of accounting reporting and particularly in enabling the necessary conditions for the growth of the financial performance of the economic entities listed on the stock exchange. Under these circumstances, I have predominantly positioned my research in the trend of the constructivist research.

To achieve the overall objective *we have defined the specific objectives* of the research to which I attached a series of *epistemological questions*. In the studies conducted to identify the response to the questions we have used procedures and techniques specific to social and human science, such as: observation; synthesis; analysis of documents; study of documents; benchmarking; ranking; upgrading.

In addressing the interdependencies between the system of government, the process of accounting reporting and the risks management, we appealed to the *simple linear regression model* and in the research of the association relationships between some features of the corporate governance and the financial performance, we used the *multiple regression model*.

At the level of the theoretical research of the concepts, principles, objectives, rules and theories specific to the corporate governance, the usefulness and transparency of the accounting



information or those on addressing performance under its various dimensions, whose results are mainly presented in **Chapters I**, there is a *deductive type of approach*, focused on defining the evolving concepts and elements, principles, models and analyzed systems.

According to the *principle of unity and coherence*, implementing the concepts in the governance and modeling practices of the accounting information identified in the analyzed entities was made in **Chapters II-III** by conducting some empirical studies that have coherently combined *the deductive* and *the inductive approach*. They were completed in **Chapter IV** where the research is mainly *deductive*. As a natural follow-up of the qualitative research conducted in the first part, the second part of the study was located in the area of the quantitative research.

### **Brief content and research directions**

Through the specific theories in **Chapter I**, entitled '**THE CONCEPTUAL FORAY IN THE RELATIONSHIP BETWEEN THE CORPORATE GOVERNANCE – ACCOUNTING**' we have first defined and analyzed the concept of 'the corporate governance' and its many dimensions from different perspectives. On the basis of the identified methods of action I have investigated the area of the corporate governance, we approached coordinates such as: goals; objectives; principles; axes.

After obtaining a synoptic image over the conceptual and normative framework, on the basis of the semantic connotations of the phrase ‘corporate governance’ we emphasized the fact that they have not yet reached a consensus. Essentially, the reported differences lead to different approaches and ways of implementation and development of governance systems with negative effects on different stakeholders.

To describe a required reference system proper to the implementation and development of the corporate governance in the Romanian economic entities, we analyzed the main identified international models, through a comparative study. On the one hand, the results have revealed the symmetries and asymmetries between the different components, features, structures, attributions and other elements of the analyzed models, and on the other hand their advantages and disadvantages. Although there is no universally valid model, we believe that the long-term oriented model towards the stakeholders, adapted to their specific, can best ensure the business follow-up in terms of performance.

Based on specific normative frameworks, due to other studies in which we analyzed the corporate governance of the economic entities with private capital as compared to that of public entities and the relationships between this system and the process of accounting reporting , in addition to confirming the highlighted differences by previous studies, we have shown that they generate different

approaches and practices from one domain of activity to another, which are powered by the dysfunctions of the implemented systems. As a natural follow-up of the research on the relationship of interdependence between the governance system and the accounting reporting in **Chapter II** entitled **‘THE ACCOUNTING INFORMATION IN THE CONTEXT OF THE CORPORATE GOVERNANCE -ELEMENT OF IMPACT AND SOCIAL RESPONSIBILITY’** we looked at the place and the role of the accounting information, as well as the ways in which we can appreciate and assess its usefulness and transparency. In addition to the financial reporting frameworks and the works identified on the subject, *we analyzed* the standards and recommendations of ***the 20 codes of the corporate governance***. They were selected from ***the 100 currently identified at the international level*** according to the Pareto principle. The obtained results underlined that although most codes focus on the importance of ensuring transparency and disclosures, the aspects of the accounting information do not occupy an important role.

Realizing the major implications that the materializing of risks have upon the entities and hence upon the economies, we continued the research approach with a comprehensive analysis on how the materialization of risks may affect the usefulness of the accounting information. *Through an empirical study* we have investigated the modeling of the accounting information practices

and the risks management of the accounting and tax reporting perimeter developed by the Romanian economic entities. Comparatively, we have analyzed the information provided by the accounting and tax reports issued by the medium and small economic entities of medium in Mureş County. The objects of the research were the reports issued in the period 2012-2015 for the years 2011-2014 as follows: 9991 entities - year 2011; 8250 entities - year 2012; 8095 entities - year 2013; 8354 entities - year 2014 developed in 2015.

Based on the results of the comparative analyzes and the responses to the questions from the *Questionnaire research regarding the application of the governance system, of the risks controlling process and the internal audit function*, we approached information risks both in terms of causes and effects upon the users in question. In fact, the conformity or non-conformity prints of the accounting information outline the proper functioning or dysfunctions of the management and control system, of the accounting reporting process, plus those specific to the risks management.

Starting from the considerations identified in literature and the results obtained in the empirical research conducted on the practices of modeling the accounting information in **Chapter III** entitled **‘DIMENSIONS OF THE ACCOUNTING REPRESENTATION OF THE PERFORMANCE IN THE**

**CONTEXT OF THE CORPORATE GOVERNANCE'** I have heuristically surprised the evolving most relevant sizes and representations of the global performance. Synthesizing the ideas found in approaches based on elements of - economic, social, accounting, management and environmental protection kind - I have defined the most relevant cognitive valences of these complex concepts of 'social construction' in the context of the corporate governance.

The empirical research carried out in Chapter II has been continued through a study in which we conducted a series of *comparative analyzes of the information from the accounting reports* related to the taxable profit entities in Mures County. Based on the results obtained in the operational researches carried out on the impact of the informational risk on the net accounting result, of the 8354 entities whose reports produced in 2015 were analyzed, we selected three samples of 500 items each. Based on the theoretical and empirical research, via the simple regression function we defined the interdependencies between the corporate governance, the accounting system, the risks management and the economic performance. Besides the multiple causes and effects of the materialization of the risks of distortion, I stressed out the importance of the accounting policies and procedures, the need to address the management and control system, as an integrated system, and the

expansion of the corporate governance, at least at the principles level, and upon the smaller economic entities.

To build a fair picture of the systems and the practices of the existing corporate governance at the national level, and to identify viable solutions to improve the performance in **Chapter IV**, entitled ‘**THE EFFECTS OF THE CORPORATE GOVERNANCE ON THE PERFORMANCE IN FINANCIAL STATEMENTS - THE ECONOMETRIC MODELING**’, we have comparatively analyzed and modeled the relationships identified between some features of the management and control system implemented within the entities listed on the Bucharest Stock Exchange with the London ones and their financial performance. Thus, we determined the performance metrics values, signaling a number of differences between the examined systems and practices, and useful solutions for improving them.

### **Conclusions, personal contributions and research perspectives**

In relation to the specific objectives, based on the algorithm - conceptual and normative framework - the governance process- the accounting reporting process -financial issues- accounting information - risk management - global performance - financial performance - the synthetic results based on the conducted research on the structure of the raised epistemological questions are shown in Chart 1.

**Chart 1 Summary of the results obtained in the studies and the tests on the conceptual / normative framework of the identified practices.**

<b>I:</b>	<b>Epistemological aspects</b>	<b>Results</b>	<b>Specific objective</b>
I:1	What are the defining elements of the corporate governance?	-they are the management and control systems and processes plus a set of rules, principles, models, methods, practices and traditions	Objective 1 Chap.1 point.1.1.1
I:2	What are the main dimensions of the corporate governance in the context of the studied specific corporate governance theories?	-they are those that are related to the interests of capital providers, investors and other stakeholders (creditors, suppliers, customers, third parties and staff) and those focusing on the sources of law, science and ethics	Objective 2 Chap.1 point.1.1.2
I:3	What does the operating area of the corporate governance regard?	-the overall strategic direction of the entity and its interaction with the environment in which it operates	Objective 3 Chap.1 point.1.2.1
I:4	Which model or models of corporate governance can be successfully applied to the specific Romanian economy, starting from the identified advantages and disadvantages ?	- it is the stakeholder model, adapted to the characteristics of each separate entity	Objective 4 Chap.1 point.1.2.2
I:5	What emphasizes the symmetries and asymmetries highlighted in the application of corporate governance and the private entities in the public domain?	-they are highlighted through the normative frameworks, legal organization, objectives, responsibilities and pursued axes	Objective 5 Chap.1 point.1.2.3
I:6	How can the relationship between accounting and the corporate governance be tackled ?	-it requires a systemic approach due to the interdependent relationship between the analyzed systems and the processes that influence and condition each other.	Objective 6 Chap.1 point.1.3

<b>I:</b>	<b>Epistemological aspects</b>	<b>Results</b>	<b>Specific objective</b>
I:7	What is the role of the accounting reporting process in the system of management and control of an entity?	-it is a provider of information on internal and external decision-making processes, and a mediator between the expectations of the stakeholders and those of the various stakeholders in the production and publication of the required accounting information; it does not always provide sufficient and timely information to various stakeholders thus creating informational asymmetries	Objective 7 Chap.1 point.1.4
I:8	How can the accounting information have positive effects on the corporate governance and the credibility of entities?	-by ensuring a balance between the qualitative characteristics of the required accounting information in the applicable financial reporting frameworks it ensures the prerequisites for increasing the credibility of entities with positive effects on different stakeholders	Objective 8  Chap.2 point 2.1.1
I:9	What is the role of the accounting information in the management and control system of an entity?	-it is that of a mediator of internal decision-making processes, the investor or stakeholder 's investment / divestment or to limit these processes as appropriate in relation to their quality or value	Objective 9  Chap.2 point.2.1.2
I:10	How can the corporate governance contribute to the ease, alleviating or eliminating conflicts of interest affecting the usefulness of the accounting information?	-by means of proper management and control of the entity in relation to the objectives of all stakeholders -by monitoring the opportunistic behavior management -by the value of the governance process brought by the internal audit, the audit committee and the external auditors -by implementing whistleblowers -by clearly defining the	Objective 10 Chap.2 point.2.2



I:	Epistemological aspects	Results	Specific objective
		<p>transparency requirements for increasing the degree of disclosure in relation to the interests pursued</p> <ul style="list-style-type: none"> <li>-by the responsible use of the 'comply or explain' principle</li> <li>-by managing the factors that generate or fuel the conflict of interests or other divergences</li> </ul>	
I:11	How can risks be addressed in the corporate governance area that affect the usefulness and the credibility of the accounting information entities?	<ul style="list-style-type: none"> <li>-by implementing a prospective management of these events and a systemic approach</li> <li>- by ensuring a balance between the interests of the actors involved in the accounting reporting process of the various stakeholders</li> </ul>	Objective 11 Chap.2 point.2.3.1
I:12	How can the internal audit help alleviate the information asymmetries in the context of the management and control system?	<ul style="list-style-type: none"> <li>-through an independent evaluation of management systems and processes, control and risk management</li> <li>- by making relevant recommendations for the improvement of the audited operations, systems and processes</li> </ul>	Objective 12 Chap.2 point.2.4
I:13	What are the dimensions of performance in the context of corporate governance?	<ul style="list-style-type: none"> <li>-they may be based on: economic, accounting, financial, social, managerial, environmental protection origin</li> <li>-taken together they can be addressed as a 'social construction', recognized as 'global performance', in which sub-dimensions can be identified, such as the social, the economic and environmental protection; the interests of the stakeholders make in some cases that the images of performance differ from the represented reality</li> </ul>	Objective13 Chap.3 point 3.1

<b>I:</b>	<b>Epistemological aspects</b>	<b>Results</b>	<b>Specific objective</b>
I:14	What is the impact of the accounting information representation on the scale of the performance of an entity?	-it is positive or negative on the real dimension of performance depending on the insurance / failure of the accounting information utility, affecting various stakeholders	Objective14 Chap.3 point.3.2.1
I:15	How can the corporate governance contribute to improved performance?	-by knowing and responsibly applying the accountability systems and processes implemented within the principles, rules and practices of good corporate governance	Objective15 Chap.3 point.3.3
I:16	What are the components of a suitable model for the implementation of corporate governance in the emerging countries?	-there are given the mechanisms for establishing the governance structure (size, structure and efficiency), mostly by those of disclosure and transparency, and other specific elements of governance in relation to the specific objective of each entity	Objective 16  Chap.3 point.3.4.2

Source: synthesizing the answers to epistemological questions

Through the empirical research results, interdependencies and the ways that corporate governance can help improve financial performance shown in the financial statements, identified by the answers to questions I: 6 - I 11 and I 14 -I 15 were confirmed after testing and validating the assumptions summarized in Chart 2.

**Chart 2** The results of testing and validation of hypotheses H: 2.1, H: 3.2

<b>Hypothesis</b>	<b>Testing the relationship - 6-11 and 14-15 specific objectives</b>	<b>Result</b>	
		<b>Validation</b>	<b>Non-validation</b>
H:2.1	Between the usefulness of the information presented in the financial	X	-

Hypothesis	Testing the relationship - 6-11 and 14-15 specific objectives	Result	
		Validation	Non-validation
	statements and the quality of the corporate governance there is an interdependent relationship Chapter 2 point.2.3.2.		
H:3.1	The relationship between the financial performance and the corporate governance is mediated by the quality of the accounting information Chapter 3 pct.3.2.2 .	X	-

Source: synthesizing the research results Note: X - validation or non-validation

Under the impact of the various constraints placed on the accounting reporting, the modeling of the economic entities activity without ensuring the compliance with the accounting principles, with those specific to the corporate governance, controlling risks and the ethical ones can adversely affect the credibility of the entities and therefore the interests of the shareholders and stakeholders.

The image of the interdependencies relations investigated theoretically and empirically by testing of hypotheses H: H 2.1 and 3.1 is complemented with the results based on the testing of hypotheses H: H 4.1 to 4.5, on the two samples consisting of the entities listed on the Bucharest Stock Exchange and London Stock Exchange. The comparative results from the testing of these assumptions are summarized in Chart 3.

**Chart 3 The results of the testing of hypotheses H: 4.1, H: 4.5 - comparing the entities listed on the Bucharest Stock Exchange with the ones from the London Stock Exchange**

Hypothesis	Testing the relationship 17-21 specific objectives	Results					
		Bucharest Stock Exchange			London Stock Exchange		
		NRS	PER	EPS	NRS	PER	EPS
H:4.1	There is a positive association between the independence of the board members and the performance presented in the financial statements	-	-	-	-	-	-
H:4.2	There is a positive association between the number of board members and the performance disclosed in the financial statements	X	-	-	X	X	-
H:4.3	There is a positive association between the fact that the board members hold shares in the entity and the performance presented in the financial statements	-	-	-	-	-	-
H:4.4	There is a positive association between the independence of the President of the Board and the performance presented in the financial statements	-	-	X	-	-	-
H:4.5	There is a positive association between the presence of women in the board and the performance presented in the financial statements	-	-	-	X	X	X

Source: synthesizing the research results

Note: NRS - The net result sheet; Per- "price earnings ratio" (Share Price / Net Income); EPS- "earnings per share" (net profit / number of shares); X - validation - hypothesis non-validation.

By using a common accounting language in determining and presenting performance in the financial statements, the comparison of the analyzed results was provided. Under these circumstances, the differences between the results led us to the idea that they are generated and fueled by other factors than those in the accounting

normalization. Along with the limitations and constraints inherent to the accounting caused by opportunistic behaviors and judgment manifested in the process of accounting, the inconveniences of the capital markets have influenced the governance systems and the performance of the entities where they are implemented.

With all the inconveniences due to the recognition of the accounting net result sheet, evidenced by the modeling practices of the economic reality, driven and facilitated by the existence of an accounting policy and procedures different from one entity to another, or those caused by the tax systems applied in the two countries, the effects on the performance of the corporate governance of the analyzed entities are apparently similar or record insignificant differences.

In this regard, relevant for both samples is the validation of the hypothesis H: 4.2 and the invalidation of the hypothesis H 4.1 and H 4.3. The confirmation of the association relationship between the performance expressed by the net result sheet and the magnitude of the board (hypothesis H: 4.2), supported by the use of the disclosures of the same financial reporting framework (IFRS) *essentially gives the entities a solution to improve the performance presented in the financial statements, consisting of a suitable dimensioning of the Board.*

In addition to this, for the entities listed on the London Stock Exchange, the H: 4.5 hypothesis has been validated on the association

relationship between the accounting net income and the diversity of the Board. Moreover, in the case of these entities were also validated the H 4.2 and H: 4.5 assumptions for the association relationships between the performance and the size expressed by PER, respectively the diversity of the Board. Also, the association connections between the analyzed variables are statistically significant.

Confirming the impact of the corporate governance on PER, in fact it highlights the influence of the factors through which the stock market reflects the value of an entity by means of the share price. Determined as the ratio between the share price and the net result sheet, the PER- brings about a double influence of the accounting representation of performance. First through the performance indicators as determining factors of share price, and the second by the net accounting result itself. *Therefore, the primary factor in the relationship of dependence between the financial performance expressed by PER, and the size, respectively the diversity of the Board is the development and maturity degree of the capital market.*

The difference between the implemented systems of corporate governance, generated by the development level of the different economies and capital markets, plus the political, social, legal and cultural environment, in which the analyzed entities work as open systems, led to more significant results from the statistical point of

view for the entities listed on the London Stock Exchange, as compared to those in Bucharest. Thus, the results for the H and H 4.4 4.5 hypotheses actually reconfirm the different impact of the economic development and that of the capital market over the financial performance. The validation of the H: 4.4 hypothesis for the Romanian entities reinforces the hypothesis of Uadi's research showing that for the entities under development, financial performance is better when the roles of the Chairman of the Board and CEO are held by different individuals. Another highlighted aspect is the positioning of the provided results for the entities listed on the London Stock Exchange in the context of the administrator's theory, who in opposition to the agency theory, relies on the concept of 'the trust' that the administrator, as leader, has in the manager.

In conclusion, the entities that have got balanced corporate governance structures, both in size and diversity, have better performance, aspect confirmed by the information presented in the financial statements. The effects are most obvious where the entities are part of a developed economy and are listed on the active capital market, compared to those operating in an emerging economy and are listed on the developing capital market, where the risk of volatility often makes its presence felt.

### **Own contributions**

Theoretically and conceptually, on the basis of the carried research over some relevant scientific works, of the norms and

provisions specific to corporate governance, to accounting and risk management, the contributions brought through the carried research are localized in the specialty literature landscape.

Empirically, through the originality of the methodology used in the approach of governance practices that are part of the process of financial reporting and of the one of accounting modelling of accounting information, the contributions made are materialized in the improvement of the analyzed systems that have effects over the financial performance. Relevant in this sense are the researches focused on instrumenting the relationships of interdependence among the analyzed systems and processes, the mechanisms for risk management that have an impact over the different interested parties, the approach of global performance through the means of the targeted objectives of the interested parties and of the accounting representation, the drafted model for the implementation of governance, the value profiles of the listed entities reported to some of the characteristics of corporate governance through which there have been highlighted the ways that corporate governance could have a positive impact over financial performance and over its accounting acknowledgement.

Synthetically, the main contributions of the undertaken research are the following:

- In the view of the reconfiguration of the ethical dimension of governance for affirming the transparency and the social



responsibility we individualized two principles. The first one views the insurance of supremacy of the public interest, while the second one, the integrity of the accounting representation of the represented economic reality. Also, in order to insure the application and the respect towards the principles and rules in the governance of entities, the implementation of some “integrity warning signs in regard to ethical aspects”, which view the inconsistencies and the deviations from the ethical practices, is necessary (Cap 1-Cap 2).

- On the basis of the radiography of the elements and of the characteristics of normative and conceptual frames of the objectives, principles, axes, models, processes, systems and analyzed practices (Cap 2):
  - **We showed that it** is important and necessary the **different approach of each interested part reported to their nature and their typology**;
  - In the frame of the decision making process of controls, **we drafted a risk management mechanism** starting both from the factors that generate or supply the conflict of interests and the divergences that exist among the actors of the social game of accounting as well as of those specific to the different interested parties;
- On the basis of the cause-effect algorithm of the

contributions that the corporate governance can have over the systems and processes through which accounting information is produced, presented, supplied, verified, probed and controlled, **we identified the interdependencies** of the analyzed system surprised through the effects produced over the information presentation confirmed **through the identified and tested relationships** (Cap 2, Cap 3):

- The process of accounting reporting and the approaches of risk management that affect the accounting information (Cap 2; 2.3.2);
  - Elements of the governance system, of the accounting reporting process and of the risk management one, are highlighted through the utilities attributed to the accounting information for managing the possible conflicts of interests and the role of the internal audit function (Cap 2; 2.4);
  - Insuring/ non-insuring the utility of the accounting information and the real dimension of the financial performance presented in financial statements (Cap 3, 3.2.2).
- In the context of the relationship of corporate governance and the process of accounting reporting, **we constructed a synoptic image of the global performance** showed in a

double hypostases (Cap 3):

- The first, focused on the accounting representation of the results of the activity carried by the entity reported to the degree of achieving the targeted objectives;
- The second one, presents the performance of the leadership and control system through the means of the different interested parties;
- Reported to the dysfunctions and non-conformities that have an impact over the targeted users in the financial statements, through an empirical study through which we studied the causality and the dependency relationships between the quality of the accounting information and the potential dimension of economic performance, **we drafted a set of requests necessary for improving the accounting representation of the entity's results** that consist of (Cap 3):
  - **The integration and the synchronization of the objectives** targeted by the process of accounting reporting with the ones of the system of leadership and control;
  - **The effective elaboration and the implementation of accounting policies and procedures adapted to the specific of each**

- entity;**
- **The implementation of a prospective risk management** specific to the processes and the systems of corporate governance and of accounting reporting;
  - **The use of accounting information as a mediator** in the amelioration of the of the conflict of interests and in promoting the efficiency of corporate governance by increasing the degree of transparency;
  - **The extension of the application of principles that refer to the transparency of the information presented at the level of the economic entities that are not listed.**
- On the basis of the identified considerations, both through the research of the most relevant particularities of corporate governance that exist in the emergent countries reported to the developed ones, of the practices found at a communitarian level, as well as of the ideas identified in the specific theories, we established (Cap 3):
    - **A board of benefits, challenges and risks** that have cross-country effects at which the systems of leadership and control that are localized at a communitarian level are exposed;

- **A model for implementing** the rules and principles of a good corporate governance **that can be used as a referential for implementing and/or developing** in practice the system of leadership and control at the level of economic entities;
- Through the econometric modelling of the correlation and dependency that exists between some of the characteristics of corporate governance and financial performance (identification, instrumentation, testing and partial validation) both for the entities listed at the Bucharest Stock Exchange as well as for those listed at London Stock Exchange (Cap 4):
  - **We elaborated a study** that can be used as a reference model, but as well as a starting base for formulating some new research hypotheses;
  - **We drafted association relationships between the financial performance (net accounting result, PER and EPS) and the qualitative aspects that define corporate governance** (five characteristics of the council of administration) quantified through **three econometrical models**.
  - **We determined the value profiles of the entities listed** at the Bucharest Stock Exchange reported to

the ones from London shown through the means of the factors that have generated the identified differences, and on this basis the potential future directions for action.

## **Proposals and Perspectives**

Achieving these goals calls for:

- the extension of the IFRS implementation - organizations and other large and medium entities on shares, even if they are not listed;
- the enrolling in the financial reporting in accordance with the European directives regarding:
  - the clarification of the terms which may create some confusion, such as those of 'related parts' and "affiliated parts", the harmonization of concepts with those of the international financial reporting;
  - the requirements for the implementation of medium and large entities of the 'comply or explain' principle, by including medium and large groups (based on the cost-benefit rapport) and such disclosure in the notes;
  - the requirements to include in the financial statement notes information on how the risk management is carried out and may affect the usefulness of the accounting information and therefore the actual size of the achieved performance;

- Romania's active participation by representatives of community organizations, government and professional bodies to continue the process of improving the European regulatory framework for the corporate governance and thus to harmonize the national one;
- the issuing of guidelines for the economic entities into the practice of the economic entities , the rules for developing and implementing the accounting policies and procedures and the risk management that may affect the usefulness of the information presented in the financial statements;
- the expanding of the internal audit function at the level of its shares, to some smaller ones so that they have reasonable assurance regarding the management of risks inherent to the management and control system, including the processes of accounting reporting;
- the publicizing of the importance of auditing financial statements by independent auditors, even if there are no specific regulations in this regard, as well as auditing the risk management and the system of government;
- the effective implementation at the level of the economic entities of the internal control mechanisms to improve the information asymmetries that have serious economic and social implications;

- the enrolling in the corporate governance code for clearer advice on the characteristics of the management structures (CA / CS - size, diversity) highlighted by the research results and the international developments;
- the application of the rules and principles of good corporate governance by the entities that are not listed, to prevent insolvency and bankruptcy.

In the shown context, handling the complex issues of the corporate governance, including the accounting representation of the effects of the management and control systems over the global performance or on some of its dimensions, can still provide some of the widely debated topics in the academia, the professional bodies, and at the level of those involved in leadership, management and auditing.

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