



ACCOUNTING SCANDALS VERSUS "TAX HAVEN"

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Abstract

Accounting is the art of recording transactions in the best way possible so as to allow the reader to conclude that it is necessary to set rules. These guidelines are generally called accounting policies. Complexity of accounting policies allowed companies to change their accounting principles for their benefit. This made it impossible comparison between the financial statements of companies. In order to avoid the above and to have a harmonised accounting principle, Standards needed to be set by recognised accounting bodies. This opened the way for the realization of international accounting standards. India vs Panama ... When you join these two countries arises naturally the question "Why? What does have in common one with another?". An actual connection there isn't but, why not, we can put together these two countries which, just at first glance have nothing in common, but if at the end of the comparison we draw the line we see that the accounting system, both want, or wanted at the same time ... the adoption of IFRS. The aim of this paper is to make a comparison between two poor countries - INDIA - which is slowly becoming a global force and - Panama - country considered "tax haven".

Key words:

Accounting system, IFRS, India, Panama

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1. Introduction

Accounting Standards are used as one of the main regulatory mechanisms required for preparing financial reports with general purpose and those of the Audit Board, in almost all the countries in the world. Accounting Standards is the system requirements to be taken into consideration for the purpose of drawing up and presenting financial statements. They appear with a series of statements with authoritarian character related to the way in which certain types of transactions, events, and other costs should be recognized and reported in the financial statements.

These regulations are designed to provide useful information for different users of financial statements, such as: shareholders, third parties, creditors, management, investors, suppliers, competitors, researchers, regulatory bodies and society in general. As a matter of fact, such rules are designed and "prescribed" in such a way as to improve and to represent a point of reference with regard to the quality financial reporting.

Rapid growth of international trade and internationalization firms, development of new technologies of communication, the emergence international forces will disrupt competitive financial environment to an extent. Under this scenario of business at world level, the business has a need for a

common language of accounting, which should be talked about it across the Globe.

A system of financial reporting standard, at the global level is a prerequisite for attracting foreign investment, as well as of those present and potential in the same country, a fact which should be achieved through harmonization of standards. For purposes of determining standards is to bring uniformity in financial reporting and to ensure the consistency and comparability between data published by various companies.

India, the so-called officially the Republic of India, is a country in South Asia. India is number seven in the hierarchy of countries according to surface, in second place after number of inhabitants and is the state democratic with most inhabitants.

On the other hand, Panama, Panama Republic official designation is a member of Central America, which is located in the narrowest extremity of the forces evolved line connecting the two Americas.

2. Accounting scandals versus "tax haven"

For start why not to make a brief review of the accounting history of the two countries and underline the most important events.

To get started, let's look at the scandals involving accounts in India.

The scandals involving security and financial ones have led to the manipulation of large amounts of cash, increasing the market values and the emergence of Sensex. Even if the financial markets have regulatory authority to ensure that the activity is legal, failed to achieve good corporate governance in a certain percent.

So if we speak about India we can't get over the most serious scandals accounting:

- First of them was carried out by the president of the company CRB Capital Markets Limited, Roop Bhansali, in the year 1996, which has been accused by subtraction of 12 billion Indian Rupee. CRB was accused that used the BSI accounts to steal from bank's funds, with the precise reasons that collect mandates for interest, and that ensure reimbursement. The fraud caused losses of both United Trust of India (UTI) and Gujarat government.

- In the same year took place ITC - Chitalia's Fera Violation and it has been estimated that there has been a fraud of approximately 80 million dollars. In June 1996 the investigation started with regard to export transactions between ITC and the group of companies Chitalia (TSE Fibres) between 1990-1995. Chitalia and more directors of the company, including the president ITC KL Chugh were retained, but release later on bail. ITC have asked for damages of 15 million dollars on the one hand while Chitalia asked for 55 million dollars, which was claiming that ITC was due to them.

- In 1998 Harshad Metha, made a return after deception in 1992, by a number of different tips written on a web site as well as in different newspapers about the capital. The result was the collapse of GLP, Videocon and Sterlite. This has resulted in the opening of illegal trading system in the middle of the night by officials BVB to resolve this problem.

- Ketan Parekh a broker of Mumbai a great loans from Global Trust Bank on fusion period with United Trust of India. He received a loan of 250 tens of millions of Indian Rupee from president of Global Trust Bank, Ramesh Gelli, which they have been asked to give up the function later. This "fake scenario" to those of the Global Trust Bank, EEZ Telefilms, HFCL, Aftak Infosys, Lipin Laboratories and Padmini Polymer. Share price undertakings referred to increased during this maneuver. Investors who had bought shares at prices very large they believed that those were real prices on the market. Not long after discovering fraud in the period 1999-2000, market prices have fallen up to actual value. Investors have suffered losses very large. Even banks were faced with high losses. Ketan Parekh was arrested in 2002.

- Home Trade company was launched in 2000 with an advertising campaign expensive worth 24 million tens Indian Rupee, made with the aid of numerous celebrities such as Hrithik Roshan, Sachin Tendulkar and Shahrukh Khan. Eight banks cooperative societies, such as Valsad People's cooperative Bank and Navsari co-operative Bank in South Gujarat have lost in total 80 tens of millions of Indian Rupee because of bad investments made by Home trade. This loss has been implemented and on account of fraud made to the enterprise EPF, management, 8 million Indian Rupee. Losses amounting to a huge sum of 6000 tens of millions of Indian Rupee. Sunil Chedar, president Central co-operative Bank in Nagpur city was arrested for breach of the rules to invest in government bonds as well as for falsification of documents. Executive Director Home Trade, Sanjay Aggarwal was sentenced in absence because he has been suited, but later was taught in Nagpur.

- In the year 2003 DSQ software company has been accused of shady acquisitions and biased distributions made during the period 2000-2001. The amount involved is of 595 tens of millions of Indian Rupee that was the reason for which the president Dinesh Dalmia was arrested in 2006 and even now serving his prison sentence.

- In 2003 all directors of Nagarjuna Finance promoted by KS Raju, was accused of breaking obligation to return about 100 thousand million Indian Rupee depositors for the period 1997-1998. In December 2003 NFL might pay only 54,8 millions Indian Rupee in total debt.

- Ramalinga Raju former president and the executive director of Sathyam, the so-called Enron of India admitted that he manipulated the balance for many years in a row to show inflated profits and assets huge fictitious values. Fraud has been estimated 960.6 million to tens of millions of Indian Rupee, one of the biggest fraud committed in 1996. Ramalinga is now in prison for committing fraud, deception and false.

About the biggest fraud in India to talk about more... Many of Indian financial circles are appalled by the fact that the biggest corporate fraud has escaped unnoticed by so many years. She brought into discussion levels of corporate management in India and put a stain on what other date was shining Indian industry "overseas". Everyone was amazed at how Ramalinga, former head of Sathyam computer has been able to do under the nose of all a fraud of billions of dollars.

Indian investors in shares have been amazed by the letter published by Raju, by which he confessed mistakes and admitted he "pulled ropes" for that financial statements to show very well in the previous

years. The scandal has affected conversion to stock exchanges. Sathyam shares have fallen as a result of such news by 75 %, pulling down also the main market values in India with 7 %.

In his letter to the shareholders, says that he tried to cover losses at Satyam and that it has been so caught up in a vicious cycle of lies and debts. He compares this attempt to hide losses of investors and shareholders with a situation where "riding a tiger, you don't know how to lower without being eaten". Analysts have come to the conclusion that the fraud was carried out by handling the cash-flow, it can be one of the reasons for the deception may not have been easy to detect. All believe that the rush for huge profit and desire to keep up with the growth rates of the industry, with high speed level, from India, of 50 billion dollars was behind his motivation to increase the accounts from his company.

On the other hand Panama is considered as "tax haven".

History of "fiscal paradise" shall take birth in ancient Greece, where, in order to get rid of tax of 2 % on imports and exports, the traders moved in neighboring islands. In the Middle Ages, London was exempt from all taxes.

Around 1600s, Flanders represented a true "tax haven", because its ports traders had the fewer restrictions, and in 1889 one of the largest banks in Canada, Bank of Nova Scotia, its agencies fault in the Caribbean and in Jamaica to allow customers to benefit from the advantages of tax and financial operations in international trade.

This policy would encourage investment and competition and ensure profitability, tax advantages, privacy, as well as the investment diversification of a company. A specific state is "tax haven" if, by its tax laws favor the opening of offshore companies which should carry out their commercial activity outside the borders of the country.

Tax haven is divided into five types: there is a choice here the residence for tax purposes, the place of installation of the work base, you can live here, you can make money or you can get citizenship. These countries addressed to all individuals or legal persons, or both at the same time. Countries considered to be tax havens represents a place of refuge for all types of companies in order to enable the recipients to reduce and even to suppress totally duties to which they are subjected, in full observance of the law and in a manner virtually impossible to control by tax services in the mother country.

In the world there are approximately 70 tax havens. Some of them, after they were gone, as is the case

Lebanon, they come back from their own ashes. Others as it is Switzerland are in danger of extinction or are gone soon, such as Hong Kong. In other places are born new havens. Hot Topic by excellence, tax havens are sometimes "from beat of gunpowder" and well-known by tourists: Andorra, "conquer" once in addition, Austria is famous for bank secret, and even Monaco or Gibraltar.

Others are at the same time true safe havens for holiday, for example The Caribbean Archipelago include a large number of states with a privileged taxation, the Caimans Islands possesses a bank for every 60 residents.

Legal and financial structures which are essential, sometimes complex, held until recently, small and medium entrepreneurs away from the use of tax havens. But constraints of more and more of the heavy excessive taxation of certain states, pushing even those who have limited resources to use laundry tax to protect their income.

"Laundry tax" can be classified into three categories, according to the system of taxation of them:

- Countries where incomes abroad are exempt from total income tax, paying only an fixed annual fee - Virgin Islands, Belize, etc.

- In other countries tax basis is not profit, but the share capital. For example, offshore company "Stiftung" registered in Lichtenstein due to a tax equal to 0.1 percent of the share capital, but not less than 1,000 Swiss francs.

- Linear taxation system - regardless of profit realized value should be a fixed percentage. The best known tax haven that uses this system is Cyprus, where offshore companies pay a tax of 4.25 percent out of the profits.

In conclusion, the "laundry tax" may be used for making big profit, for the protection of property, and to get rid of too many taxes.

Advantages having activity in a tax haven:

- In certain countries benefits are taxed in the year immediately following their completion of, the tax being calculated on the entire national and foreign benefits. This allows companies that have subsidiaries abroad to delay taxation, which is therefore subject to repatriation benefits.

- Laundry tax is often used to conduct transactions of patents, trademarks and manufacturing processes, which are intangible assets.

- Using a tax haven facilitates development and putting into circulation of commercial documents justifying compliance with trade regulations.

– Investment to be carried out under cover of a tax haven no longer causes taxes on hidden reserves in the case of their leasing.

– Accounts in convertible currency and banking secret can make managers obligations easier during the period of fluctuation for the currencies and of taxes on interest.

– Establishment of a subsidiary in a tax haven provides more streamlined and an increased discretion in management.

– A subsidiary in a tax haven can be used by a company as a point of purchase for its own goods. The goods are resold to the factories from abroad taking advantage of the tax cut results, without losing the benefit of sale.

– Purchase of equipment at the local market price through a subsidiary implanted in a tax haven allows to realize non-taxable benefits.

– Captive insurance companies are used by multinational companies encouraged to become their own insurers, thanks to substantial insurance market costs (in addition, the reserves of insurance are not deductible from taxable profits), as well as by insurable character of some of their activities. Captive insurance company may also become a way for the financing of mother-firm investment.

– Captive banks are bodies set up for the needs of a group of individuals. They have the status of the bank non-residence and may carry out operations of any kind, with the exception of those involving residents in the countries in which they are installed.

From the point of view of bookkeeping requirement, offshore companies can be classified into two categories:

– Companies which are not bound by the law of that tax haven to keep accounting, being instead required to pay a fixed tax per year (Bahamas, Belize etc).

– In other tax havens offshore companies are required to keeping records. For example Ireland, Cyprus, Uruguay, Panama, etc. many times should be hired a resident accounting expert in the country in which the company has been registered. Completion of these legal obligations involves additional costs (sending invoices, receipts and statements of account, etc.).

It is very important to specify that in the "laundry tax" shall apply either legal system Anglo-Saxon bloc or the continental legal one. Legal System Anglo-Saxon bloc is characterized by a high flexibility, especially in the Caribbean. For example, to the Bahamas, standard subscribed share capital of the company is 5,000 dollars, but stunning is the fact that it doesn't have to be paid back in full, sometimes even is not paid at all. So these companies could be established formally, without

to have a cent paid-in share capital. In continental legal system, the size of capital stock and how to make it available to the firm is strictly regulated.

Being considered as a "tax haven", firms which develop on its activities in the territory of such State shall enjoy the benefits characteristic of such areas, but are required to keep the business accounts.

There is also a negative part to "tax havens"...

"Tax haven", as well as Panama have been and remain a manner as soon as reliable to bypass excessive taxation of certain countries and how long will be significant differences in fiscal legislation between states, they would prosper. Consultancy and intermediary companies which have offshore companies in these "tax oases" know all the legal gates by which their customers can get maximum benefit, and are kept up to date with the changes in international law that might limit use of these means, adaptability being the keyword in the business.

The great majority of the investors that constitutes offshore companies seek only a tax scheme more "gentle" but there are also criminal organizations found in tax haven an important tool for money-laundering of illegal business, reaching such a high enough level of legality, enough to not get in the viewfinder of the authorities from their mother countries, or enough to avoid permanent intrusion in "their business".

The idea that becomes detached from analysis of work offshore companies is that if they are to take advantage of it should be that the person concerned should have a level of income high enough to permit payment of the duties of "fiscal paradise question". It is interesting to note that in most tax havens, as the income gets bigger in these countries, the related charges are reduced as weight in the total income, a situation that encourages additional flow of money, "sacking" countries with excessive taxation, poor them eventually gross domestic product (GDP). Thus, a businessman with some experience in international trade, well-informed and without aversion to risk may also lay the foundations for a real financial empire starting with only a company offshore.

In 2000, together with other 34 countries, Panama has been included by the Organization for Economic Cooperation and Development OECD, on a list of countries considered, by the agency of "tax havens" that, since their actions of taxation does not meet their expectations. The label of "tax haven", was not only offensive to the country, but Panama has tried to keep the profit margin by foreign investors' confidence to invest although this is not considered to be a favorable environment for trade with the rest of the world.

Conscious of the negative effects of such status, attempts have been made to improve the situation of threat of OECD, carried out in 2001, with the inclusion in this list. In 2002, the government of Panama has expressed willingness to accept principles of "transparency and effective exchange of tax information", promoted by OECD. Two years later, Panama has been invited to participate in the discussions to clarify the situation and the conditions for the recovery of confidence in the accounts and taxation in this country.

In 2010 the situation has started to change. And in 2011, declined and persistence of the negotiation team in Panama, made up of well-trained professionals with a particular reputation OECD were convinced that in a period of 15 months, Panama will be deleted from this list. During this time, Panama has signed 10 treaties to avoid double taxation and an agreement for cooperation and exchange of information in tax matters, the latter with the United States of America. Current Treaties have been concluded with Italy, South Korea, Mexico, Barbados, Spain, the Netherlands, Belgium, the Netherlands, Qatar, Luxembourg, Portugal and Singapore.

As regards the impact of the agreement it is necessary to state that there has been additional foreign investment in Panama in 2010, 2.362.000 dollars, out of which only 16% of them have come from the United States and the rest from other nations around the world. Panama understood that the United States was the partner of marketing from the beginning and that this agreement will expanding the possibilities of economic and development growth, and that Panama will never be able to fill this empty by herself.

Having said that, you must understand that the mission of negotiating of Panama goes beyond the simple negotiation with the countries referred to, because it is desired to have the legal system properly for the future, without weaknesses, which in 2001 have led to the inclusion Panama on the list of "tax havens", and that is why made the effort to convince the nation of the importance and the transparency in the financial management.

So that's how it proves that Panama fulfils its commitment to implement national strategy for the defense of international and financial services, which is aimed to promote continuously reinforce and development of the sector, and to allow to create a favorable environment for investment, to facilitate international trade, in order to avoid double taxation on the same income and tax evasion, and to confer on security and certainty investors who decide to invest in Panama.

3. Accounting Systems in India and Panama up to IFRS

India

Accounting Standards in India issued by ICAI have legal recognition by the law on commercial companies, 1956, under the terms of which each company is forced to comply with the standards of the accounting and statutory auditors from each company are obligated to report if Accounting Standards have been complied with or not. Also, we are talking here about regulations for insurance and Development Authority (IRDA) (preparation of the financial statements and auditor's report insurance companies).

Regulations 2000 require insurance companies to follow Accounting Standards issued by ICAI. Securities Exchange board of India (SEBI) and Reserve Bank of India also requires compliance with Accounting Standards issued by ICAI from time to time.

Disclosure accounting policies: accounting policies relate to the accounting principles and specific method for the application of these principles adopted by the companies in drawing up and presenting financial statements.

Stock Assessment: the objective of this standard is to define the method of calculation of the stocks/stock cost, to determine the value of the closing stock/inventory at which inventory is to be shown in the balance sheet until it is sold and recognized as revenue.

Cash flow statements: cash flow statement is the source of the additional information for the user of the financial statements. This shows the situation of cash flow of input and output. This statement shall evaluate company's capacity to generate cash and to use cash. This situation is one of the tools for assessing enterprise liquidity and solvency.

Quotas and events occurring after balance sheet date: In drawing up the financial statements of accounts of a certain company, shall be carried out following accrual accounting and prudent accounting policies to calculate profit or loss for the year and to recognize assets and liabilities in the balance sheet. The provision shall be made for all known debts and losses even for those debts/events, which are likely. Professional judgment is necessary in order to resolve future events when they occur and, therefore, unforeseen issue and how you shall keep accounts appears. The objective of this standard is to prescribe accounting for events occurring after balance sheet date, but before the balance-sheet date of approval by the Board of Directors.

Net profit or net loss for the period, prior period items and changes in accounting policies: the objective

of this accounting standard is to prescribe criteria for certain items in the profit and loss account, in such a way that comparability of financial situation can be improved. The profit and loss account as a periodic statement refers to the elements of income and expenses within a specified period. This accounting standard, it is also in charge of the accounting policy change, accounting estimates and extraordinary items.

Accounting depreciation: is a measure of wear, consumption or other loss of value of a depreciable asset, resulting from use or the time passing. Depreciation is nothing than the distribution of the total cost of assets on the full useful life.

Construction contracts: the accounting of long-term construction contracts involves the question about the time at which the income should be recognized and how incomes may be evaluated in the buyer's book. Having regard that the duration of the construction contract is long, the activity of the start of the building works starts in a year and end after 4-5 years or thereabouts. Therefore, the question is how to be determined the profit or loss value of the construction contract by the contractor. It might be two ways to determine profit or loss: based on the percentage of completion of the year-to-year or upon completion of contract.

Revenue recognition: the standard explains when the revenue should be recognized in the profit and loss and also lays down the conditions under which revenue recognition may be deferred. Gross income means abundance of cash, received or other considerations which arise in the course of ordinary activities of companies, such as the following: - the sale of goods, the supply of services, and the use of resources by other companies in different companies, dividends and royalties. In other words, the level of income is a tax carried out by customers / buyers for goods supplied or services rendered.

Accounting for fixed assets: It is an active: - if it took place with the intention of being used for purposes of producing or the provision of goods and services. Are not held for sale in normal course of business. We would have been expected to be used for accounting period more than one year.

Effects of changes in foreign exchange rates: The effect of the Changes in the exchange rate shall be applied in the field of accounting period beginning on or after 01-04-2004 and is mandatory in nature. Having regard to effects of changes in the exchange rate, undertakings must submit the following aspects:

- Amount difference in exchange rate changes included in net profit or net loss
- Amount gained in reserve currency conversion

- Restoring balance of opening and closing with the foreign exchange reserve.

The accounts government subsidies: subsidies are government aid granted by the Government, in the form of cash or in kind from a firm in exchange for certain conditions in the past or future. The Government which cannot be assessed as is reasonable is excluded from government subsidies. These transactions with the Government, which cannot be distinguished from normal commercial transactions of the enterprise, are not to be considered as government subsidies.

Accounting for investments: Such assets shall be held for income earned by way of dividends, interest and lease, for the purposes of assessing capital, or for other benefits.

Accounting for merger through fusion: This accounting standard does not apply in the cases for the purchase of shares when a company acquires share by another company and the company purchased is not dissolved and separated entity continues to exist. The Standard is applicable in the case if the purchased company is dissolved and separate entity has ceased to exist, the purchasing company continues with business of the company acquired.

Employee Benefits: Accounting Standard has been reviewed by ICAI and shall be applied in relation to accounting periods beginning on or after 1 April 2006. The scope of the accounting standard has been extended to include accounting benefits for workers in the short term and benefits.

Borrowing costs: companies make loans to purchase, build and install the fixed assets and other assets, these assets shall take time to be useful or saleable, therefore, company bear interest (the cost per loan) to acquire and build these assets. Standard lens accounting is to prescribe cost treatment debt burden (interest + other costs) in the accounts, if the cost of a loan should be included in the cost assets or not.

Segmental reporting: an enterprise needs in many products or services and operate in different geographic areas. More than one of the products / services and their operations in different geographical areas are exposed to different risks and results. Information on more than one of the products / services and their exploitation in different geographical areas are called information on segments. Such information is used to assess the risk and the result more of the products/services and their exploitation in different geographic areas. Such disclosures shall appoint segmental reporting.

Disclosure of transaction with related parties: at times, business transactions between related parties lose their office and the character transactions.

Relationship with related parties affect the volume and the decision of a company for the benefit other company. Therefore, disclosure of the transaction with related parties is essential for understanding of financial performance and financial position of the company.

Accounting for the leasing contracts: leasing is an arrangement by which locator gives the right to use an asset for certain period of time in which to lessee on rent. This involves two parts, a locator and the inhabitant and an asset to be leased. Locator which holds good agrees to enable the user to use it for a certain period of time in exchange for periodic rent.

Earnings per share: earning per share (EPS) is a financial report that gives information on gain for every action. It is a financial report very important for assessment of the market share of the operations. This standard provides the accounting methodology for the determination and presentation gain per share, which will improve comparing EPS. The standard shall apply undertaking whose shares or parts of equity capital are listed on the stock exchange.

Consolidated financial statements: the objective of this standard is to present the financial statements of the parent company and its subsidiary as a single economic entity. In other words, holding company and its subsidiary are treated as a single entity for the purpose of drawing up the consolidated financial statements. Consolidated profit and loss account and consolidated balance sheet are prepared to reveal total profit/loss of the group and total assets and liabilities of the grouping. Consolidated balance sheet shall be prepared in the same manner as provided for in this statement.

Accounting for taxes on income: This standard accounting prescribe accounting treatment for income taxes. Traditionally, the amount of the tax paid shall be determined on profit/loss calculated in accordance with the income tax laws. In accordance with the standard of accounting, income tax is determined on the principle concept of commitments. Under this concept, the charge should be recorded in the period in which the revenue and expenditure shall be recorded. In simple words tax shall be asking how on accrual basis; not on liability to pay basis.

Accounting for investments in associated entities in consolidated accounts: accounting standard has been made, with the objective of setting principles and procedures for the recognition of investment in associated companies in consolidated financial statements, in such a way that the effect of investments in associates on the group's financial position is indicated.

Discontinued operations: the objective of this standard is to establish principles for the reporting of information relating to interrupt operations. This standard applies to "Discontinued", rather than "operation interrupted". Emphasis is on disclosure of information which relates to the operations which the company intends to respond, rather than with regard to the operations which are already cut off. However, disclosure about the operation already interrupted is also covered by this standard.

Interim financial reporting (It is an instrument-rated pilot): intermediate financial reporting is reporting for periods of less than a year, in general, for a period of 3 months. Pursuant to Clause 41 of the agreement listing companies are obligated to publish financial results on a quarterly basis.

Intangible assets: Intangible asset identification is a non-monetary asset without physical substance to be used in the production or supply of goods or services, car rental or for various administrative purposes.

Financial Reporting in associations with interests of holding: Joint Venture is defined as a contractual arrangement in which two or more parties are engaged in an economic activity, under "common control". Control is the ability to govern financial and operational policies of an economic activity, so as to obtain benefits from this. "Common Control" is supported by distributing contractual control over economic activity.

Depreciation of the assets: "impairment of assets" is in fact the decrease in value of the assets. In other words, when asset value decreases, it can be called depreciation of an asset. THE asset is declared to be depreciated when book value is greater than the value to be recoverable.

Provisions, contingent liabilities and contingent assets: the objective of this standard is to prescribe accounting for provisions, contingent liabilities, contingent assets, provision for restructuring.

The provision: It is a duty, which can be measured only by the use of a substantial degree of estimation.

Liabilities: a passive current obligation of the enterprise arising from past events, which is expected to lead to an exit in the companies of resources which incorporates economic benefits.

Financial Instrument: recognition and Assessment, issued by the Council Authorized Accountants Institute in India, will enter into force in respect of the accounting periods beginning on or after 01.04.2009 and will be recommendation for an initial period of two years. This accounting standard will be made mandatory in respect of accounting periods starting with or after 01.04.2011 for all entities commercial, industrial and business, with the exception of small and medium-sized enterprises.

The objective of this standard is to establish principles for the recognition and evaluation financial assets, financial liabilities and some contracts to buy or sell a product non-financial. Requirements for the submission of information about financial instruments are in the standard.

Financial Instrument of presentation: the objective of this standard is to establish principles for presenting financial instruments as liabilities or equity and for offsetting financial assets and financial liabilities. It shall apply for the purposes of classification financial instruments, from the point of view issuer, in financial assets, financial liabilities and equity instruments, the classification interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities should be compensated for. Principles of this standard complement the principles for the recognition and evaluation of financial assets and financial liabilities in the accounts.

Financial instruments, information to be supplied and the review of accounting standards: the objective of this standard is to require entities to provide information in their financial situations that allow users to assess:

- important financial instruments for entity, financial position and performance;
- the nature and extent of the risks arising from financial instruments to which the entity is exposed during the period and on the date of reporting;
- the way in which the entity manages those risks.

Panama

Investment firms which provide only holdings in their shares to persons residing outside Republic of Panama which keep accounting records of outside their Republic of Panama can draw up financial reports and statements based on the law and generally accepted accounting principles of the foreign jurisdiction. However, financial statements must be accompanied by an explanation of significant differences between foreign law and the principles and International Financial Reporting Standard (IFRS), adopted by the Commission, as well as an explanation of any significant change which could be reflected in the financial statements of the investment company, in the case in which they were submitted reports or financial statements.

All of the companies, as well as subsidiaries of foreign companies are obligated to call on the services of an external auditor to perform an annual financial audit of their organization. The auditors must be authorized accountants and must comply with the accuracy of the accounting information published.

Standard rate of VAT is 5 %, except on alcoholic drinks (10 %) and tobacco products (15 %). Some of the goods and services shall be exempt from VAT: foodstuffs, medical services and business, fuel, books, and basic agricultural products. Excise duty shall be chargeable for more products, such as all products derived from tobacco and alcoholic beverages, as well as services such as cable television and mobile services. Tax rate on income is 30%. All medical expenses incurred in Panama, donations, interest on mortgage loans for housing, student loans may be deducted.

Panama operates a territorial system, by residents and non-residents are taxed only sources of income from Panama. Incomes which do not appear or do not come from sources of Panama are not subject to tax.

Tax on dividends - a tax of 10% will be levied on dividends paid out of profits. Rate is 5% on dividends paid out for profits sourced from abroad and dividends paid out in the case of export profits.

Capital gain - the unique tax of 10 %. Losses may be carried forward for 5 years at a maximum rate of 20% per year. Deducting losses may not exceed 50% of taxable income per year.

Economic space provides for an exemption from tax in respect of the following activities: offshore services, sale and transfer of shares between companies established in the field, the transfer of goods and services between companies within the zone, the sale of goods or services for visitors and passengers while they are in transit to other countries or from the ships that pass through the Channel Panama or aircraft authorized that uses ports to destinations overseas, manufacture of high technology products, services logistic and the call center.

Dividends - Dividends paid to a non-resident on registered shares are subject to 10% or 5% tax withheld at source, depending on the source of dividends, the rate is up to 20% for bearer shares.

Accrued interest - interest paid to a non-resident is subject to a tax withheld at source by 15 %.

The employer shall be required to pay an insurance education tax at a rate of 1.5 % of the remuneration; it shall also be liable to pay social security contributions in an amount equal to 11.75 % of the total remuneration of employees and must retain 8 %, the name of the employee, submit to authorities.

The tax on real estate - depending on location at rates, from 1.75% to 2.1%. The stamp duty - tax stamps must be attached to all invoices and other accounting documents certifying official transfer of goods or the provision of services without VAT. On the stamp duty is 0,001 PAB.

Transfer Fee - transfers of immovable property shall be subject to tax at a rate of 2 % of the higher of the value of the act of transfer or land register value at the time of the transfer.

Companies operating in free trade areas Colon or free zone, except corporate headquarters licensed and multinational companies which operate in accordance with special arrangements relating to international awards for the contractor for the selection for example, Howard (Panama-Pacific), must lodge a notice of operations. These companies will be the subject of annual license fees of 1 % of the company's capital (a minimum amount 100 PAB and a maximum of 50,000 PAB).

4. IFRS in India and Panama

India

Convergence of the Indian Accounting Standards with International Financial Reporting Standard (IFRS) has been decided at the beginning of the 2011-2012 fiscal year will offer opportunities to the industry to gather funds from outside, attract foreign investment and keeping the level of transparency.

The Institute Authorized Accountants of India (ICAI) has circulated projects exposure for consultations between the parties concerned. Once completed, a set of standards will be presented to Advisory Committee for National Accounting Standards for inspection by Manoharan TN minister, the president, CII National Committee on Standards of Accounting for, and former president, ICAI. IFRS Indian companies would be able to provide a level of equality with international colleagues, as Ind-AS, the equivalent IFRS Indian, did not allow anymore approaches financial reporting.

Ind-AS would, however, only a single approach adopted for the recognition of gains and losses on real fully, eliminating the advantages of approach on multiple elections. Exceptions to IFRS should be made only in the rarest cases where national interest is involved.

The two aspects key for corporate houses, which have been for the adoption of IFRS standards have been when corporate entities wanted to represent the foreign currency gains and losses in the accounts on a long-term basis, postponed for a period of time, and when real estate entities had to switch from percentage of completion method widespread in India now to the method of contract shall be completed as is mandated by IFRS.

The Institute Authorized Accountants in India, is the first accounting body in the country, and assumed the role of a leader, by establishing Accounting Standards Board, more than twenty-five years ago, and tried to fall in line with national and international expectations.

Today, accounting standards in India have come a long way. Listed below are some important characteristics of laying down standards of accounting system which involves all their efforts in India.

The Institute Authorized Accountants of India (ICAI) is a body member of IASC, on 21 April 1977, in order to harmonize various accounting policies and practices used in India. After what he said adoption of liberalization and globalization that rocks the cornerstone of Indian economic policies at the beginning of the 90 's, and growing trepidation arose the need to carry out an effective corporate governess, accounting standards giving an increasing importance.

While formulating accounting rules, ASB shall take into account applicable laws, customs, usages and business environment grows in the country. ASB also offers since they were taken into account and International Financial Reporting Standard (IFRS) / International Accounting Standards (IAS) issued by IASB and is trying to integrate, as far as possible, in the light conditions and existing practices in India.

The accounting standard setting, by its very nature, involves achieving an optimal balance of requirements of financial information for different interest groups having a financial stake of the reporting burden. In order to achieve a high level of consensus, as far as possible, with regard to the requirements of the interest groups is attempting to bring to the acceptance of the accounting standards.

Standards among such groups' considerable research, consulting and discussions with representatives of relevant interest groups, during the various stages of their forms become necessary.

India wishes up to the year 2015 to "adopt" an accounting system "green" to take account of environmental costs of development and reflect natural use precious resources in the generation process of national income.

Panama

Accounting Standards in Panama shall be adopted by the Technical Center of the Accounting (JTC), a Government agency. Accounting Technical Center in turn, has created a commission for Financial Reporting (NOCOFIN) to develop standards and to provide guidance for their implementation. According to a site dedicated to International Financial Standards history of reporting in Panama, from mid-1990, Accounting Technical Center has made numerous attempts to adopt International Financial Reporting Standard (IFRS).

In 1998, Technical Center for Accounting adopted Resolution no. 4, which has asked for mandatory

application of IFRS (then known as the International Accounting Standards, or IAS) for the periods commencing on or after 1 January 1999.

This resolution, however, has been canceled by the Bank of the third of the Supreme Court in October due to a lack of legal authority the Technical Center for Accounting to establish accounting standards 2000.

Next attempt to adopt IFRS-changer in the country, in June 2003, also failed when the bank the third canceled Accounting Technical Center resolution no. 3 of 2000 on the adoption of the international. Finally, the Law no. 6 of 2005 gave the Accounting Technical Center legal powers to adopt IFRS and to include in the register all IFRS accounting standards in force.

As a result, all companies in Panama, except banks, are obliged to follow IFRS in drawing up the financial statements.

The Bulletin 2008 of the Standards of financial reporting, the Commission clarifies that IFRS are adopted in Panama issued by the International Accounting Standards Board (IASB).

Before adopting IFRS-by, Accounting Technical Center National Securities Commission adopted Agreement No 2 in 2000 and Agreement no. 8 in 2000 obligation to use, either IFRS or, generally accepted accounting principles (GAAP FY2008 earnings of the United States) for the companies' financial statements.

After seven years and two failed attempts to their adoption, International Financial Reporting Standard (IFRS) have become a set of accounting standards for primary financial statements of companies in the Republic Panama.

Panama, has converted to IFRS from 2009. Historically, up to which Panama used accounting principles which have satisfied with International Accounting Standards. We notice that no matter how developed is a country in the world, or no matter how poor population of the country, or which is economic context, they reach the need to adopt IFRS at a time.

5. Conclusions

Audit Standards adoption in India and Panama India

Standards Board of Auditors and insurance (AASB) in the Institute of Accountants Authorized in India (ICAI) draw up standards of the Audit Board and insurance (AAS), based on ISA and has recognized the importance of adoption of continue in the standards. AASB has undertaken a project on the comparison of all AAS regarding the current versions of ISA by trying to examine any significant differences.

The Institute Authorized Accountants in India was set up in 1949 to regulate the accounting profession in

India. Since its establishment, the Institute has taken many measures to ensure that its members fulfill their professional duties with due care, competence and honesty. One of the steps is the creation of the practice Committee of the Audit Board, or of the Council for standards of the Audit Board and insurance, as it is now known in September, 1982.

Panama

Law no. 6 of February 02 2005 (change of the law 57 of 1978) adopted on that date ISA and any modification that are going to be adopted in the future. Adoption and promulgation ISA in Panama it is the responsibility of accounting technical Council (JTC). JTC is a regulatory body established by the law 57 in 1978 and operates within the Ministry of Commerce and Industry. It is not clear who ISA have been adopted in Panama.

However, JTC has not issued its own resolutions with regard to ISA such as has been provided for in the law. None of the four professional bodies accounting has not adopted ISA for its members, such as he had seen many times in practice in other countries, in view of the fact that these standards have been adopted officially in its Statute. Again, a process of ratification or approval should be adopted in order to ISA, in such a way that the auditors to be sure what are the standards that they are obliged to follow, and at what point ISA up-to-date shall enter into force in Panama.

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