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The Extent of the Financial Accounting System (SCF) Contribution to Financial Statement Consolidation Practices and Its Impact on the Quality of Financial Reporting in Groups: A Comparison with International Financial Reporting Standards

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Abstract: This study aims to examine the contribution of the Financial Accounting System (SCF) to financial statement consolidation practices and its impact on the quality of financial reporting in business groups, compared to International Financial Reporting Standards (IFRS). It explores key concepts related to the SCF, IFRS, and their influence on the quality of consolidated financial reports. The study is based on a questionnaire targeting accounting consolidation specialists, including accountants in business groups, auditors, and accounting experts, and their number is 36. The collected data were analyzed using SPSS 24 statistical software.

The findings reveal that the Financial Accounting System has not kept pace with recent local and international changes. Since its introduction in 2010, it has not been updated or established a methodology, rules, or conditions for issuing standardized financial statements.

Keywords: Financial Accounting System (SCF); International Financial Reporting Standards (IFRS); Financial Statement Consolidation Practices; Quality of Consolidated Financial Reports.

1. Introduction

The practices related to the consolidation of financial statements represent one of the most complex accounting and regulatory challenges in the contemporary business word, There is no globally unified methodology adopted for consolidation procedures, Nor is there a systematic procedural guide adhered to by the prepares of those statements, This leads to a diversity of practices and variability in the quality of outputs, In this context, The issuance of the systeme comptable financier (SCF) under law 07-11 in 2007, Which came into effect on January 1, 2010, Emerges as a local regulatory framework aiming to unify accounting practices in Algeria, However, This system did not provide a detailed and comprehensive guide for groups (conglomerates) to prepare consolidated accounts and financial position of the group as a whole, raising questions about its effectiveness and its ability to keep pace with international standards.

Consolidated financial reports are a pivotal tool for conveying a unified financial picture of a group of companies, They provide an integrated view essential for various stakeholders such as investors, creditors, Financial analysts, And top management (Healy & Palepu, 2012).In light of economic globalization and cross-border investment flows, The role of international accounting standards, Particularly international financial reporting standards (IFRS), stands out as a global reference framework for ensuring the comparability and transparency of financial information (Bath, Landsman, & Lang, 2008) .Hence there is growing interest in studying the extent to which national accounting frameworks, Such as the Algerian financial accounting system, align with these international standards, And the impact this has on the quality and reliability of financial reports issued by groups.

This research aims to analyze the extent of the contribution of the systeme comptable financier (SCF) to improving and developing the practical practices of consolidating financial statements, And to assess its impact on the quality of the group's final financial report, In comparison with the requirements and standards of international financial reporting standards (IFRS).Achieving compatibility with international standards is considered a critical factor in enhancing the credibility of financial reports and user confidence in them, Which positively reflects on companies' ability to attract foreign capital and entrench principles of transparency and sound governance (Defond, Hung, & Trazevant, 2011).

According, The central research problem crystallizes in the question of: The extent of the ability of the systeme comptable financier (SCF) to elevate the process of consolidating financial statements and improve the quality of the group's financial report, Compared to the framework provided by international financial reporting standards(IFRS).

Through this study, The theoretical and applied aspects through which the financial accounting system can contribute to improving the quality of consolidated financial reports will be explored. The research will also examine the impact of the human factor, Represented by the professional experience and technical competence of the accountants and specialists responsible for the consolidation process, On the effectiveness of implementing the provisions of the financial accounting system (Cohen, Krishnamoorthy, & Wright, 2017).

Finally, The research will attempt to answer a fundamental question: does the financial accounting system genuinely enhance the quality and reliability of financial reports for Algerian groups, Or are there gaps and practical and regulatory challenges that make it less effective in achieving this goal compared to international standrads?

1.1. Research Problematic:

Based on the aforementioned points, we formulate the following research question:

- In comparison to International Financial Reporting Standards (IFRS), how much has the Financial Accounting System influenced financial statement consolidation methods and how does it affect business organizations' financial reporting quality?

1.2. Research Hypotheses:

In order to answer the pervious problem, we put the following hypotheses:

- The Financial Accounting System has contributed to the consolidation process and has positively impacted the quality of financial reports for corporate groups compared to IFRS.
- The Financial Accounting System has a favorable impact on business organizations' financial reporting quality.
- There are significant differences in perceptions of the Financial Accounting System among accounting consolidation professionals, attributed to their professional experience.

1.3. Research Significance:

This study is significant because it aims to demonstrate how much the Financial Accounting System influences financial statement consolidation procedures and how it affects corporate groups' financial reporting quality in comparison to International Financial Reporting Standards (IFRS).

1.4. Research Objectives:

This study aims to:

- Examine the methods used for financial statement consolidation and the degree to which the Financial Accounting System supports them.
- Evaluate how the Financial Accounting System affects corporate organizations' financial reporting quality.
- Identify the various aspects addressed by the Financial Accounting System in consolidation practices and compare them with IFRS.
- Encourage the Financial Accounting System to be updated to conform to IFRS in light of Algerian business groupings' financial statement consolidation procedures.

1.5. Research Methodology:

We used a descriptive-analytical strategy to examine the broad concepts linked to the Financial Accounting System, IFRS, and the caliber of financial reporting for business groupings in order to thoroughly examine the topic, address the study issue, and verify the hypotheses.

A questionnaire that was given to professionals engaged in financial statement consolidation, such as certified accountants, auditors, accounting specialists, and corporate accountants in Algerian businesses, was used for the empirical portion of our study. A series of questions on the topic were included in the questionnaire, and the SPSS statistical program was used to evaluate the data and extract insightful information.

1.6. Literature Review:

- Arioua Rachid: "Consolidated Accounts Between the Financial Accounting System (SCF) and International Standards (IAS-IFRS): A Case Study of Saidal Group for the Year 2016" – *Journal of Economic Sciences, Management, and Commercial Sciences, Issue 18/2017.*

The production of consolidated accounts, one of the most important subjects in accounting, is covered in this course, which are the financial statements of a company that owns multiple branches or subsidiaries. The parent company's management is required to present consolidated accounts to provide an accurate economic and financial overview of the entire corporate group. These financial statements serve as essential tools for various users, including shareholders, investors, management auditors, and suppliers, among others.

The study specifically focuses on the Financial Accounting System (SCF) and examines whether its application alone enables the preparation of consolidated financial statements without referring to the international framework (IAS-IFRS). It also investigates whether the SCF keeps pace with global developments, particularly concerning IFRS standards as of January 1, 2013. This analysis is conducted through a case study of Saidal Group for the year 2016.

The study concluded that the SCF alone is insufficient for preparing consolidated accounts, necessitating reliance on international standards (IAS-IFRS) or the development of national accounting standards tailored to meet consolidation requirements.

- Khalfallah Ben Youssef: "The Importance of Accounting Disclosure and Measurement in Financial Statements Under the Financial Accounting System (SCF) and Its Impact on Accounting Practices in Economic Institutions" – *Journal of Financial, Accounting, and Administrative Studies, Issue 7, June 2017.*

This study aims to show how accounting disclosure influences accounting practices within the framework of the Financial Accounting System (SCF), namely in financial statements such as the balance sheet and income statement. These statements' significance stems from their ability to help consumers make wise financial choices, evaluating performance, and presenting various accounting incomes proposed by academic scholars, accountants, and professional accounting organizations. The study explores how these proposals contribute to the development of accounting disclosure and measurement concepts in financial statements.

Furthermore, since the SCF is derived from international accounting standards, the study applies one of the proposed approaches to enhance and refine accounting practices under the SCF. The results highlight the need to improve accounting measurement and disclosure in order to conform to international standards and increase the financial statements' dependability and transparency.

- Zine Abdelmalek: "The Reality of Accounting Disclosure for Financial Statement Elements Under the Financial Accounting System—A Case Study of Saidal Group 2020" – *Journal of Economics and Environment, Vol. 06, Issue 01 (April 2023), pp. 627-647.*
  The purpose of this research is to clarify the Financial Accounting System (SCF) accounting disclosure standards for financial statement items and investigate the degree to which such disclosure helps to provide a clear picture of the financial condition and performance of a company. The research highlights how crucial it is to provide accurate and helpful information for making decisions. The findings indicate that Saidal Group adheres to the minimum disclosure requirements stipulated by the SCF. Despite this, the level of disclosure is considered sufficient for stakeholders and supports informed decision-making.
- Youssef Zidan & Hamza Douifi: "Consolidated Financial Statements Under International Accounting Standards and the Financial Accounting System—A Field Study on Tahraoui Group, Biskra, Algeria" – *Journal of Economic Perspectives, Vol. 12, Issue 01 / 2022.*
  The purpose of this research is to examine the process of creating consolidated financial statements, pinpoint the main difficulties that preparers encounter, and examine worldwide accounting rules pertaining to consolidation. Additionally, it looks at the Financial Accounting System's (SCF) rules on consolidation procedures.
  The results of the research indicate that IFRS 10 is the primary accounting standard governing the consolidation of financial statements. But when it comes to accounting rules, IFRS and the SCF diverge greatly, especially when it comes to the fair value assessment concept for financial instruments. Furthermore, worldwide accounting rules and the accounting concepts used to prepare and publish separate financial statements—the basis of consolidation—differ significantly.

1.7. Discussion of the Literature Review:

A critical evaluation of the earlier research is given in this section. Following a review of pertinent literature, we assessed the results and created the report that follows:

Through an analysis of previous research on this subject, it is evident that researchers have explored various aspects of financial statement consolidation. Despite differences in the time periods during which these studies were conducted, they share commonalities, particularly in terms of the research population. All studies focus on accounting practices as performed by professionals and practitioners involved in financial statement consolidation.

Important parallels and divergences between these earlier studies and the present study were found by examining them. These insights have contributed to shaping the present study by highlighting gaps in the literature and providing a foundation for further investigation.

1.7.1. Similarities Between the Current Study and Previous Research:

The current study's goals are in line with those of a number of earlier investigations, including one by Arioua Rachid and Youssef Zidan that looked at consolidated financial statements using the Financial Accounting System (SCF) and International Accounting Standards (IAS-IFRS). Furthermore, it is comparable to research conducted by Zine Abdelmalek and Khalfallah Ben Youssef, which examined the significance of accounting disclosure in financial statements and its influence on accounting procedures.

1.7.2. Differences Between the Current Study and Previous Research:

The present research mainly looks at the function of the Financial Accounting System (SCF) in the accounting consolidation process and its impact on the quality of financial reports for business groups, as opposed to International Financial Reporting Standards (IFRS).

Distinctive Features of the Current Study

To the best of the researcher's knowledge, this study is unique since it is the only one that looks at how much the Financial Accounting System contributes to the consolidation process and how that affects the quality of financial reporting in comparison to IFRS.

Moreover, the study highlights the need for further local research on this subject, given the scarcity of Arabic-language studies addressing this critical topic in the context of Algerian financial reporting practices.

Key Insights Gained from Previous Studies

Previous study has helped the researcher in a number of important areas, including:

- Limitations and lack of clarity in the Financial Accounting System (SCF): The SCF exhibits shortcomings in addressing various accounting issues, particularly those related to financial statement consolidation. Despite being adopted in 2010, the SCF has not been updated for 14 years, whereas IFRS undergo continuous development in response to global demands for solutions to emerging accounting challenges.
- Key differences between separate financial statements and IFRS: The compilation and presentation of separate financial statements, which serve as the foundation for the consolidation process, differ greatly from IFRS norms.
- Algerian corporate groups often turn to IFRS: Due to gaps in the SCF, many Algerian corporate groups frequently refer to IFRS to resolve accounting challenges that are not adequately addressed by the national accounting framework.
- Lack of a unified guide for financial statement consolidation: Despite drawing elements from IFRS, the SCF lacks a standardized guide for corporate groups in Algeria to follow in the consolidation process.

2. Concept of the Financial Accounting System

Financial accounting is the process of organizing financial data such that numerical data may be stored, categorized, evaluated, and recorded. It makes it simpler to provide financial statements that accurately depict an organization's assets, cash flow, operational efficiency, and financial status at the end of the fiscal year (Algerian Law 07-11, 2007, p. 03).

2.1 Components of the Financial Accounting System

Article 06 of Law 07-11 states that there are three primary parts to the Financial Accounting System (SCF):

- Conceptual Framework
- Accounting Standards
- Chart of Accounts

Law 07-11, which defines the Financial Accounting System, is structured into seven chapters:

- Definitions and Scope of Application (Articles 2 to 5)
- Conceptual Framework, Accounting Principles, and Accounting Standards (Articles 6 to 9)
- Accounting Organization (Articles 10 to 24)
- Financial Statements (Articles 25 to 30)
- Consolidated and Combined Financial Statements (Articles 31 to 36)
- Changes in Estimates and Accounting Methods (Articles 37 to 40)
- Final Provisions (Articles 41 to 43) (Algerian Law 07-11, 2007, pp. 03-06).

3. Accounting Assumptions and Principles:

3.1. Accounting Assumptions:

Accounting assumptions are presumed conditions or fundamental postulates that serve as logical foundations aligning with the field of accounting. These assumptions form the basis from which accounting principles are derived, particularly in relation to business entities.

The most widely accepted and commonly applied accounting assumptions, which have evolved alongside the development of accounting practices, include:

- Accounting Entity Assumption (Separate Legal Entity): This assumption establishes that a business entity is separate and independent from its owners and managers. It has a distinct financial identity and bears full responsibility for its obligations towards suppliers and creditors (Article 09 of Executive Decree 156-08, 2008, p. 12).
- Assuming that a company organization will continue to operate forever is known as the "going concern assumption.", unless there is evidence to the contrary, such as liquidation or bankruptcy. This presumes that the entity will remain operational under normal conditions for an indefinite period (Article 07 of Executive Decree 156-08, 2008, p. 11).
- Monetary Unit Assumption and Stability of Currency:

• All financial transactions of a business entity are recorded in monetary terms to determine financial results.

- The currency unit remains stable, ensuring consistent financial reporting (Article 10 of Executive Decree 156-08, 2008, p. 11).

– Accounting Period Assumption (Periodicity): Each accounting period should be treated independently, with its own revenues and expenses recognized separately (Article 12 of Executive Decree 156-08, 2008, p. 12).

3.2. General Accounting Principles:

Accounting principles refer to a **set of fundamental rules and guidelines** that accountants must adhere to when recording daily economic transactions. Some of the key accounting principles include:

– Historical Cost Principle: Assets should be recorded at their original purchase cost at the time of acquisition and remain unchanged in the accounting records until disposal, without adjusting for economic fluctuations (Article 16 of Executive Decree 156-08, 2008, p. 12).

– Full Disclosure Principle: This principle requires that accountants fully disclose all financial events relevant to the entity during the accounting period, ensuring transparency in financial statements (Article 19 of Executive Decree 156-08, 2008, p. 13).

– Revenue Recognition Principle: Revenue should be recognized upon receipt of payment, irrespective of the date of service delivery or goods transfer (Article 06 of Executive Decree 156-08, 2008, p. 11).

– Double-Entry Principle: Every accounting transaction must be recorded in at least two accounts, ensuring that debits and credits are balanced in equal amounts (Article 16 of Algerian Law 07-11, 2007, p. 04).

– The concept of consistency (maintaining accounting techniques) states that the same accounting rules and procedures must be implemented consistently, without arbitrary modifications, across several accounting periods (Article 05 of Executive Decree 156-08, 2008, p. 11).

– Objectivity Principle: Accounting should be based on objective evidence, relying on supporting documents to validate financial data and ensure its accuracy (Article 18 of Executive Decree 156-08, 2008, p. 12).

– Prudence Principle (Conservatism): All anticipated expenses and potential losses should be accounted for within the financial period, whereas revenues should only be recognized once they are realized (e.g., provisions and impairment losses) (Article 14 of Executive Decree 156-08, 2008, p. 12).

– Matching Principle: The income statement should be used to match and record revenues and costs throughout the same accounting period, ensuring that financial results reflect total revenues and corresponding expenses (Article 33 of Executive Decree 156-08, 2008, p. 14).

Additional accounting principles include non-compensation, the link between the opening and closing balance sheets of consecutive fiscal years, among others.

4. Objectives of the Financial Accounting System:

The SCF is relevant because it can satisfy the needs of professionals and investors while ensuring that financial data is presented in accordance with international accounting standards. This raises the standard and transparency of financial reporting and contributes to the achievement of many significant objectives, which may be summed up as follows (Laachichi, 2011, p. 03):

– Providing accounting solutions for transactions that were not addressed by the previous National Accounting Plan.

– Aligning local accounting practices with international accounting standards (IAS-IFRS).

– Enabling economic entities to produce high-quality financial information with greater transparency.

– Evaluating balance sheet components in accordance with the true and fair view principle.

4.1. Consolidation of Financial Statements:

Consolidated financial statements, as used in the context of consolidation, are the final financial reports that provide an accurate and comprehensive view of a corporate group's overall performance and financial situation. According to Article 1 of Law 99-05, the financial

records of a holding company are referred to as the consolidated accounts of the group when they are combined with the accounts of its controlled subsidiaries.

The International Accounting Standard (IAS 27), which addresses separate financial statements, defines consolidated financial statements as the financial reports of a corporate group that present the assets, liabilities, equity, income, expenses, and cash flows of the parent company and its subsidiaries as if they were a single economic entity (Zidan & Hamza, 2022).

4.2. International Financial Reporting Standards (IFRS):

IFRS represents the dominant accounting framework worldwide, either through:

- Direct adoption of the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) after 2001 and the International Accounting Standards Committee (IASC) before to 2001, and with the interpretations that go along with it. This strategy is frequently employed by publicly listed corporations.
- Indirect adoption, where national accounting systems incorporate elements derived from IFRS, which is more typical for entities not listed on financial markets (Bilal, 2022, p. 455).

A total of 41 IAS standards were issued by the IASC, some of which have been repealed or replaced, while the IASB has introduced 17 IFRS standards.

4.2.1. Quality of Consolidated Financial Reports:

A company group's financial status throughout a given accounting period is accurately and fairly represented by consolidated financial reports. These reports ensure that the group discloses all relevant information about its operations and financial performance during the period, allowing decision-makers to make well-informed judgments regarding the group's financial standing.

The purpose of this research is to investigate the idea of consolidated financial reports and their goals.

4.2.2. Concept of Consolidated Financial Reports:

Corporate groupings create consolidated financial reports to give precise financial data about their situation over a given time frame. These reports provide information on the group's performance, profitability, risk exposure, and capacity to pay its debts, meeting the interests of investors, shareholders, governments, and regulatory agencies.

4.2.3. Characteristics of High-Quality Financial Reports:

The revealed financial information is valuable for accounting information consumers, such as creditors, lenders, and present and future investors, thanks to the quality qualities of financial reports. High-quality financial reports adhere to a set of legal, regulatory, professional, and technological criteria and are devoid of distortions or misrepresentations.

Four essential criteria that determine the caliber of financial data are established by the Financial Accounting System (SCF) via its conceptual framework; they will be covered in the section that follows.

A. Clarity

This refers to the ease of understanding financial information by its users, ensuring that it is free from unnecessary complexity. However, in order to understand the information offered in financial reports, users are required to have a decent degree of financial expertise.

B. Relevance

This feature guarantees a direct correlation between financial data and user choices. The intended use of financial data, whether it be for predicting future events or assessing past and current performance, determines how relevant it is. Relevant information is defined as having the capacity to affect decision-making.

C. Reliability (Credibility)

The transactions and events that financial information is intended to portray must be accurately and authentically represented. It must be impartial and unaffected by the preparers' subjective assessments. The following characteristics contribute to financial information's dependability:

- Faithful representation
- Substance over legal form
- Neutrality

- Prudence (Conservatism)
- Completeness of information

D. Comparability

Comparability refers to the ability of financial data in financial reports to be compared across or within the same business throughout several accounting periods. This enables users to make informed decisions related to investment, financing, and financial performance evaluation (Bouaziz, 2021).

E. Comparison Between the Financial Accounting System (SCF) and International Financial Reporting Standards (IFRS):

International accounting frameworks, particularly International Accounting Standards (IAS) and (IFRS), served as the foundation for the development of the (SCF). Legal and regulatory regulations, such as the conceptual framework, accounting standards, and basic rules regulating the (SCF), were used to accomplish this adoption (Ghaniya, 2017).

4.3. Comparison Between the Financial Accounting System (SCF) and IFRS:

worldwide Accounting Standards (IAS) and (IFRS) are two worldwide accounting frameworks that served as the foundation for the development of the (SCF). Legal and regulatory regulations, such as the basic rules regulating the (SCF), accounting standards, and the conceptual framework, were used to accomplish this adoption (Ghaniya, 2017).

Table (01): Comparison Between the Financial Accounting System (SCF) and International Financial Reporting Standards (IFRS)

	International Financial Reporting Standards (IFRS)	Financial Accounting System
Conceptual Framework, Recognition, and Measurement Rules	In 2010, the conceptual framework for financial reporting was issued, expanding to cover all components of financial reports. It provides detailed explanations for each element, along with all necessary clarifications to address any emerging issues. - It does not include a chart of accounts, as each country has its own accounting system. - The International Accounting Standards Board (IASB), which creates the standards, is not associated with any specific legal framework since it is independent of all countries and legal systems. - Three methods are used to determine fair value: the revenue approach, the cost approach, and the market approach.	Adopted the conceptual framework of International Accounting Standards (IAS) issued in 2003, which focused solely on the technical processing of economic events. - It also incorporated a chart of accounts, which was designed to align with the 1999 French General Accounting Plan. - It was introduced as a mandatory legal framework, systematically allowing the Algerian legislator to add, remove, or modify any article or provision whenever necessary. - Differences in some terminology result from the adoption of the Francophone accounting framework in the development and formulation of the Financial Accounting System. - Recognition and measurement rules for assets, liabilities, expenses, and revenues are aligned with international standards, but

			valuation is based on historical cost.
FBER 160	**Standards Related to the Preparation and Presentation of Financial Statements**	It is predicated on a collection of International Accounting Standards (IAS) that are divided into two divisions and pertain to the production and presentation of financial statements: First: Standards Related to Financial Statements Financial statements are explicitly covered by two International Accounting Standards (IAS): IAS 1 (Presentation of Financial Statements) and IAS 7 (Statement of Cash Flows). - To make comparison easier, financial statements are standardized in both format and substance. Clarifying cash flow movements inside the organization, giving the essential explanations to comprehend significant financial events, and providing a genuine and fair picture of the entity's real financial status are their goals. - By facilitating a uniform interpretation of accounting data produced by economic entities, financial statements help to standardize worldwide financial reporting. - Based on the estimated term of the asset or liability, which is typically fixed at twelve months, the balance sheet's presentation style distinguishes between current and non-current assets and liabilities. Furthermore, equity is shown under liabilities. - For comparison reasons, the balance sheet also contains the financial data from the prior year in addition to the financial data for the reporting year. - An organization's costs and revenues for the fiscal year are summarized in the income statement. It clearly displays the financial year's net outcome, whether it be profit or loss, and ignores the collection or withdrawal dates. - The cash flow statement provides specifics on the entity's cash inflows and outflows throughout the course of the financial period.	- The financial statements and their content do not have a fixed format; however, they must include a minimum set of essential elements. - IAS 1 (Presentation of Financial Statements). - IAS 7 (Statement of Cash Flows).

FBER 161		Second: Guidelines for Integration, Entity Consolidation, and Later Events - Subsequent Events: These were addressed in the decision issued on March 25, 2009, in paragraphs 260-8 and 280-8, which is entirely derived from IAS 10 (Events After the Reporting Period). The significance of this standard lies in the fact that the preparation and auditing of financial statements require a certain period, sometimes extending several months beyond the financial year-end. During this period, certain events may occur that impact the content of financial statements and must therefore be taken into account or disclosed in the accompanying notes. Failure to consider or disclose these events reduces the relevance and reliability of financial information. - Joint Operations: Addressed in paragraph 131 of the decision issued on March 25, 2009, which was based on IAS 31 (Interests in Joint Ventures)—a standard that has since been withdrawn. It stipulated that contributions to these entities should be recorded using the proportional consolidation method. - Combined Accounts: discussed in the March 25, 2009, judgment (based on IAS 27; Consolidated and Separate Financial Statements), paragraph 132. Later, IFRS 10 (Consolidated Financial Statements) took the position of this standard. The Financial Accounting System (SCF) defines control as having the authority to direct another entity's financial and operational policies, which is consistent with the definition found in IAS 27. The SCF adopted the same conditions for establishing control or oversight over an entity as IAS 27, although there are some differences between the two frameworks. However, the SCF does not provide further details on the rules and conditions for preparing consolidated financial statements. - Equity Method for Participating Entities:	

	The Financial Accounting System (SCF) derived its approach from IAS 28 (Investments in Associates and Joint Ventures). The SCF refers to ownership of shares in another entity as "significant influence," whereas IAS 28 refers to it as "substantial influence." The SCF sets the ownership threshold at more than 20%, without explicitly stating whether this implies absolute or joint control. Moreover, this ownership percentage could indicate either strong influence or actual control.	

5. Applied Aspect:

5.1. Research Methodology:

The descriptive approach, which is used in this research, is described as:
"A technique designed to gather information about a particular phenomenon or circumstance while making an effort to adequately interpret the information." In order to draw generalizations about the occurrence or circumstance under study, descriptive research should concentrate on precisely identifying and evaluating data and facts rather than just collecting them (Al-Dulaimi, Hassan, & Saleh, 1995, p. 149).

5.2. Study Sample:

Thirty-six workers who prepared financial statements made up the research sample. The sample was chosen with a purpose, (Sarhan, 2017) highlights that carefully selected participants in research samples have more precise and relevant knowledge about the topic being studied.

5.3. Study Boundaries:

- Temporal Boundaries: This study was conducted during the period from December 20 to December 31, 2024.
- Spatial Boundaries: The study was carried out in the Wilaya of El Oued.

5.4. Characteristics of the Study Sample:

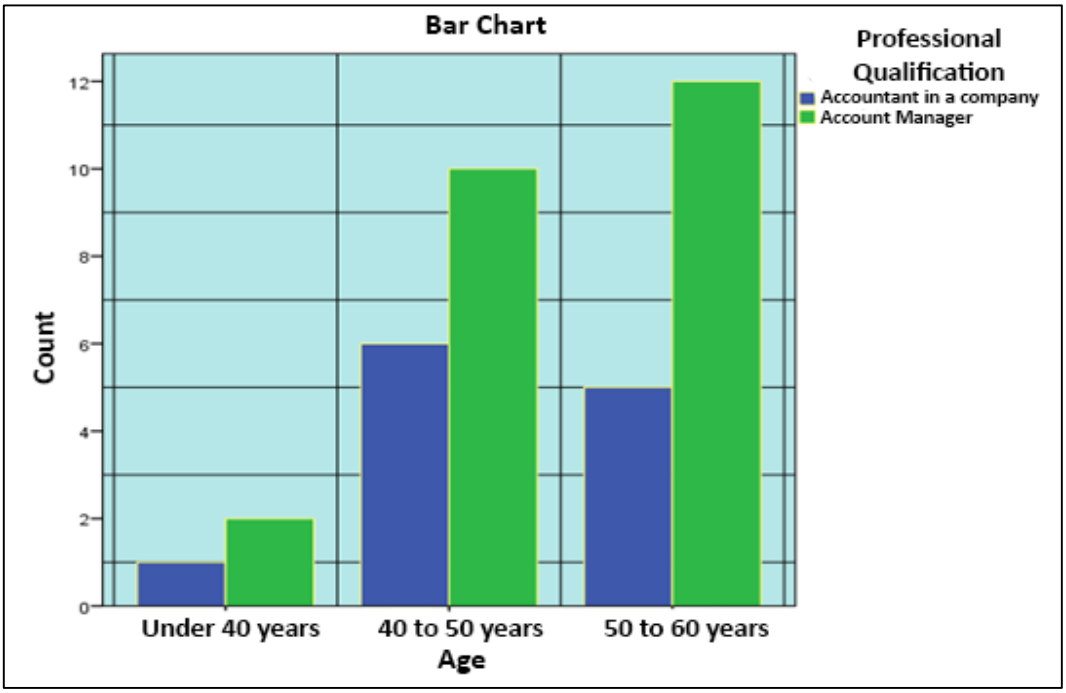
The table below provides specific demographic and professional characteristics that were used to define the sample.

Table (02): Characteristics of the Study Sample Based on Age and Professional Qualifications

Age	Professional Qualification		Total
	Accountant in a Company	Accounts Auditor	
Below 40 years	1	2	3
Percentage	0.333	0.667	1
40 to 50 years	6	10	16
Percentage	0.375	0.625	1
50 to 60 years	5	12	17
Percentage	0.294	0.706	1
Total	12	24	36
Percentage	0.333	0.667	1

Source: Derived from SPSS Outputs

Fig. (01): Represents the characteristics of the study sample based on age and professional qualification



Source: Derived from SPSS Outputs.

Table (02) and Figure (01) illustrate the distribution of the study sample, which consists of 36 participants, classified according to two key variables: age group and professional qualification. This classification provides a detailed understanding of the composition and distribution of the sample.

The sample is separated into three age categories, as shown in the table: under 40, 40 to 50, and 50 to 60. There is a discernible difference in the representation of these groups. The 50 to 60 age group has the highest number of participants (17 participants), followed by the 40 to 50 age group (16 participants), while the below 40 age group constitutes the smallest portion (3 participants). This distribution indicates that the study includes participants from different career stages, potentially enhancing the comprehensiveness of the findings.

Regarding professional qualification, the sample consists of two main categories: Accountants in Companies and Account Supervisors. A clear dominance of Account Supervisors is evident, as they represent approximately two-thirds of the total sample (24 participants), whereas Company Accountants make up a smaller proportion (12 participants). This disparity emphasizes the need of comparing these two groups in order to ascertain if the factors under investigation vary statistically significantly and to evaluate how these differences may affect the findings and conclusions of the research.

Moreover, the percentage distributions in the table confirm that Account Supervisors are the most represented profession across all age groups, with their proportion ranging between 62.5% and 70.6% within each category.

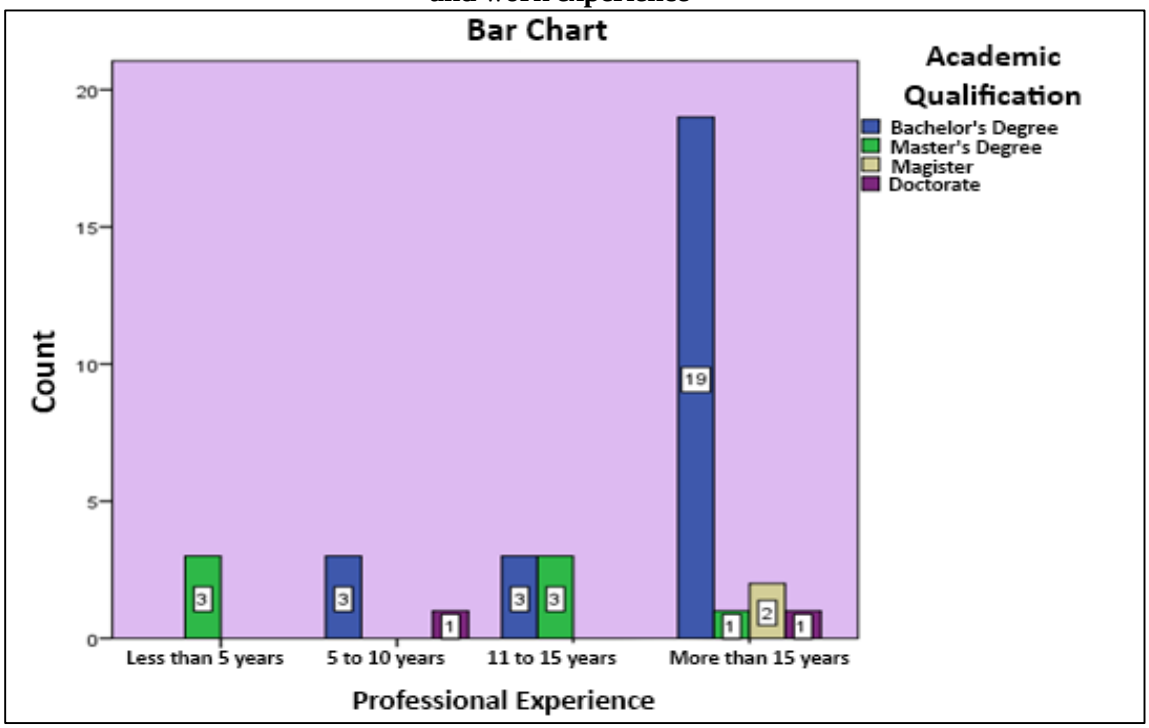
Table (03): Study sample characteristics based on academic background and professional experience

Professional Experience		Academic Qualification				Total
		License	Master's	Magister	Doctorate	
Less than 5 years	Number	0	3	0	0	3
	P%	0%	100%	0%	%	100%
to 10 years	Number	3	0	0	1	4
	P%	75%	0%	0%	25%	00%
11 to 15 years	Number	3	3	0	0	6
	P%	50%	50%	0%	0%	100%

More than 15 years	Number	19	1	2	1	23
	P%	82.60%	4.30%	8.70%	4.30%	100%
Total	Number	25	7	2	2	36
	P%	69.40%	19.40%	5.60%	5.60%	100%

Source: Derived from SPSS Outputs.

Fig. (02): reflects the study sample's attributes according to their academic background and work experience



Source: Derived from SPSS Outputs.

Table (03) illustrates the distribution of the study sample, consisting of 36 participants, classified according to two key variables: professional experience and academic qualification. This classification provides a detailed understanding of the composition and distribution of the sample.

The table shows that the categories of professional experience are not evenly distributed, with the majority of participants falling into the "More than 15 years" category (23 participants). In contrast, the number of participants in the other categories is significantly lower: 6 participants in the "11 to 15 years" category, 4 participants in the "5 to 10 years" category, and only 3 participants in the "Less than 5 years" category. This suggests that the study primarily includes participants with extensive experience, which may influence the results if experience is a significant factor.

Regarding academic qualification, most participants hold a Bachelor's degree (25 participants), while the number of those with higher academic degrees is relatively low, highlighting the dominance of Bachelor's degree holders in the sample. The table also reveals an intersection between experience and academic qualification—for instance, participants in the "Less than 5 years" experience category are exclusively Master's degree holders. Meanwhile, the "5 to 10 years" and "11 to 15 years" categories display a greater diversity in academic qualifications. In the "More than 15 years" experience category, the vast majority of participants hold Bachelor's degrees, with fewer individuals possessing advanced academic degrees.

5.5. Study Instruments:

A questionnaire was created to evaluate the study variables after a review of many papers pertaining to the research issue.

5.6. Questionnaire Scoring Method:

By placing a (X) on one of the available response options for each statement, participants indicate their response to the questionnaire.

Table (04): presents the scoring system for the questionnaire statements

Questionnaire Statements	trongly Disagree (SD)	Disagee (D)	Neutral (N)	Agree (A)	Strongly Agree (SA)
Scores	1	2	3	4	5

Source: Derived from SPSS Outputs.

Table (04) presents the rating scale used in the questionnaire, where five levels of scoring are assigned to the statements. The scale ranges from "Strongly Disagree", which corresponds to a score of (1), to "SA," which corresponds to a score of (5). The table shows that the intermediate scores (2, 3, and 4) correspond to the response options "D," "N," and "A," respectively.

This scale is designed to quantitatively measure participants' opinions, with higher scores indicating a greater level of agreement with the statements. The total score ranges between 25 and 125 points.

5.6. Internal Consistency Validity:

The study sample was given the questionnaire in order to evaluate this kind of validity, and the correlation coefficient between the questionnaire dimensions and the overall score was computed using the answers that were received.

A thorough explanation of the correlation coefficients determined by using Pearson's equation may be found below:

Table (05) Presents the Correlation Coefficients of the Questionnaire Dimensions with the Total Score

Dimensions / Coefficients	First Dimension	Second Dimension	Third Dimension
Correlation Coefficient	0.92	0.87	0.79
Significance Value	0.00**	0.00**	0.00**
Number of Statements	10	7	8
Sample Size	36	36	36

Significance Level: 0.01.

Source: Derived from SPSS Outputs.

Table (05), which shows the correlation coefficients between the dimensions and the total score, demonstrates the internal consistency validity of the questionnaire dimensions. The internal examination of the test itself, information collecting about the test's content, the procedures for answering its questions, and the relationships between those items are the main objectives of this validity category, as noted by (Abu Allam, 2006, p. 459).

The table shows that Pearson's correlation coefficients for each dimension with the total score were strong and significant, ranging between (0.79) and (0.92), all of which are statistically significant at the 0.01 level. This demonstrates that there is a substantial correlation between each dimension and the overall score on the questionnaire.

Additionally, (Tighza, 2009, p. 682) states that the average correlation coefficient for a dimension should not be less than (0.30), which is met in this study. Based on these findings, it can be confidently stated that the questionnaire demonstrates good internal consistency validity, enhancing the reliability of the results obtained from its use.

The table also indicates that each dimension consists of a specific number of statements (10 statements for the first dimension, 7 for the second, and 8 for the third), and that the sample size used for the analysis was 36 participants.

5.7. Questionnaire Reliability:

When an instrument is used again on the same sample under the same circumstances and within an acceptable amount of time, the findings should be consistent, which is known as

instrument reliability. This guarantees the instrument's stability and dependability (Bachta & Bouamousha, 2020).

The split-half approach was used to determine the questionnaire's reliability for this investigation.

Table (06): Presents the Reliability Calculation of the Questionnaire Using the Split-Half Method

Cronbach's Alpha Coefficient	First Half of the Questionnaire	Value	0.91
		Number of Statements	13 [a]
	Second Half of the Questionnaire	Value	0.81
		Number of Statements	12 [b]
	Total Number of Statements		25
Correlation Coefficient Between the Two Halves	0.71		
Spearman-Brown Correction Coefficient	Equal Number of Statements		0.83
	Unequal Number of Statements		0.83
Guttman Correction Coefficient	0.8		

Source: Based on SPSS Data.

The reliability results for the questionnaire's Cronbach's Alpha coefficient are shown in Table (06). The split-half approach was used in this research to determine the reliability of the questionnaire. With this approach, the exam is given to a single group and then divided into two halves. There are many methods to split an exam. Comparing the exam's first and second halves is a common strategy, as is comparing items with odd and even numbers. The reliability coefficients were calculated using the Statistical Package for the Social Sciences (SPSS), and the results are shown in the table below.

- (a) Represents the statements from Item 01 to Item 13.
- (b) Represents the statements from Item 14 to Item 25.

The split-half reliability analysis, which divides a questionnaire's items into two halves and computes the correlation between them, is used to determine the internal consistency of a questionnaire. The findings are shown in Table (06).

The table indicates that:

- Cronbach's Alpha coefficient for the first half of the questionnaire is 0.91, consisting of 13 items.
- Cronbach's Alpha coefficient for the second half is 0.81, consisting of 12 items.

These values suggest that both halves exhibit a high degree of internal consistency.

Additionally, the table shows that:

- The correlation coefficient between the two halves is 0.71, which is a strong indicator of consistency between the two parts.
- This correlation is further reinforced by the Spearman-Brown correction coefficient, which stands at 0.83 in both cases—whether the number of items is equal or unequal between the two halves. This consistency suggests that the split-half method provides reliable results, regardless of the number of items in each half.
- Furthermore, the Guttman correction coefficient was found to be 0.80, further confirming the questionnaire's reliability using the split-half method.

Based on these findings, it can be concluded with confidence that the questionnaire demonstrates a high level of internal reliability, enhancing the credibility of the collected data.

6. Hypothesis Testing:

6.1. Testing the First Hypothesis:

According to the first hypothesis, the Financial Accounting System enhances the caliber of financial reporting in conglomerates.

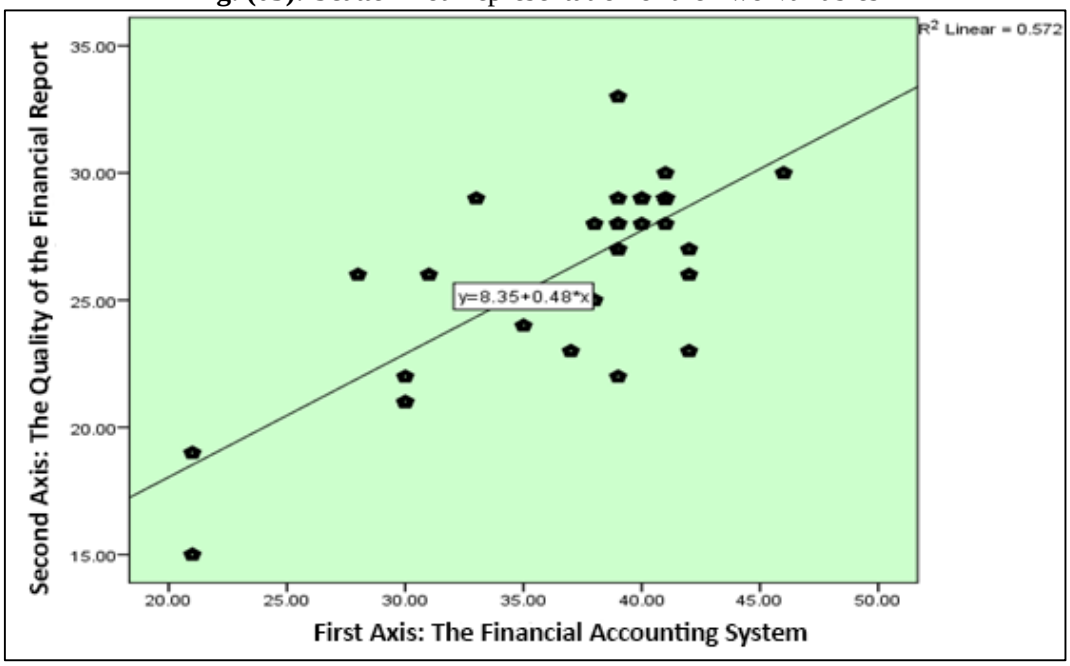
To test this hypothesis, a simple linear regression test was applied. This method is considered one of the most effective tests for measuring the impact and relationship between two variables, assuming that their relationship is linear, meaning it follows a straight-line pattern.

Table (07): Presents the Regression Model Analysis for the Financial Accounting System and Financial Reporting Quality

Independent Variable	Dependent Variable	R	R^2	F Value	(p-value)	Beta (B)	t Value	(p-value)
Financial Accounting System	Financial Reporting Quality of Conglomerates	0.75	0.57	45.39	0	8.35	6.73	0

Source: Extracted from SPSS outputs.

Fig. (03): Scatter Plot Representation of the Two Variables



Source: Extracted from SPSS outputs.

A basic linear regression study that looks at the relationship between the independent variable "Financial Accounting System" and the dependent variable "Quality of Consolidated Financial Reports" is shown in Table 07's results. According to the table, there is a significant positive correlation between the two variables, as indicated by the correlation coefficient (R) of 0.75. This implies that a rise in the "Quality of Consolidated Financial Reports" is correlated with an increase in the value of the "Financial Accounting System."

Moreover, the coefficient of determination (R^2) is 0.57, meaning that approximately 57% of the variance in the "Quality of Consolidated Financial Reports" can be explained by variations in the "Financial Accounting System." This highlights the significant role of the accounting system in determining financial report quality. However, 43% of the variance remains unexplained by this model, indicating the presence of other influential variables that were not included in the analysis.

The F-statistic value of 45.39 and its statistical significance (0.00) confirm the overall statistical significance of the regression model.

At the 0.00 level, the Beta (β) coefficient for model estimations is 6.73, indicating statistical significance. This shows that the Financial Accounting System has a statistically significant positive effect on the Quality of Consolidated Financial Reports; for every unit increase in the Financial Accounting System, the Quality of Consolidated Financial Reports is expected to

increase by 6.73 units. Furthermore, the intercept (B) value is 8.35, indicating that the Quality of Consolidated Financial Reports would have been 8.35 in the absence of the Financial Accounting System's influence.

6.2. Testing the Second Hypothesis:

According to this theory, professional experience accounts for the significant variations in the Financial Accounting System as seen by specialists engaged in the financial consolidation process.

Table 08: Analysis of Variance (ANOVA) for Testing the Significance of Differences Between Means

Source of Variance	Sum of Squares	Degrees of Freedom	Mean Squares	Calculated (F)	Significance Value
Between Groups	83.577	3	27.859	0.835	0.485
Within Groups	67.65	32	3.364		
Total	22	35			

Source: Extracted from SPSS outputs.

The findings of the one-way analysis of variance (ANOVA) performed to investigate the hypothesis are shown in Table 8. The variance sources, degrees of freedom, mean squares, computed F-value (0.835), and significance value (0.485), which is higher than the 0.05 significance threshold, are all listed in the table. This implies that neither mean differences nor the influence of professional experience on the evaluation of the Financial Accounting System by experts involved in the financial consolidation process are statistically significant. The offered hypothesis is rejected since the data does not support the existence of a professional experience impact on the experts' appraisal of the Financial Accounting System.

7. Conclusion:

Based on the study's comments, it can be said that the Financial Accounting System is essential to enhancing business groups' financial statement consolidation process. By improving the way subsidiaries coordinate their financial data, the system helps reduce discrepancies between internationally recognized accounting standards. This, in turn, ensures the reliability of financial data, thereby strengthening confidence among investors and auditors. According to the research, there is a statistically significant variation in how the Financial Accounting System is used depending on professional experience, which has an effect on the financial consolidation process. Professional expertise contributes to enhancing the accuracy and quality of the consolidation process. Therefore, continuous training for financial consolidation specialists should be an integral part of corporate group strategies to achieve optimal results.

Based on these findings, it is recommended that accounting consolidation practitioners adopt the Financial Accounting System in a structured manner aligned with international standards. Additionally, there is a critical need to enhance training and professional development for specialists in this field to ensure greater accuracy and quality in financial reporting.

7.1. Future Research Prospects:

This study opens multiple avenues for researchers and professionals to explore in future research. The study's conclusions may be used as a starting point for a more thorough comprehension of how the Financial Accounting System improves the caliber of financial reports. Some of the subjects that might be covered in more detail in further studies include:

- Examining the Impact of Technology and Accounting Innovation on Financial Consolidation: Given the advancements in technology, including the use of automated accounting systems and artificial intelligence, future research could assess the effect of these technologies on the quality of financial reports and the efficiency of the consolidation process.
- Examining How Auditing and Review Procedures Affect the Quality of Consolidated Financial Reports: Future studies might assess how financial auditing contributes to complete adherence to accounting rules, which would increase the financial reports' credibility and dependability.

- The function of corporate governance in bolstering the financial accounting system's adoption: studies might examine how corporate governance practices affect the financial accounting system's uptake and successful execution in conformity with global norms.

Through these future studies, practical solutions can be proposed to further develop the Financial Accounting System in a way that aligns with the growing challenges of the contemporary business environment.

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9. Appendices:

