



Accounting Reforms and Their Impact on Financial Information Production and Governance Efficiency: A Study of IAS 24.

Nadir MALEK*

Zahia BOUZIDA

Université Mouloud Mammeri de Tizi-
Ouzou, Laboratoire LARMHO,
Tlemcen, Algérie

Université Mouloud Mammeri de Tizi-
Ouzou, Laboratoire LARMHO,
Tlemcen, Algérie

nadir.malek@ummto.dz

zahia.bouzida@ummto.dz

Received: 16/06/2025

Accepted: 07/08/2025

Published: 04/09/2025

Abstract :

In this present paper, we will try to gather elements of analysis which will allow us to give an overview of the strategy of accounting standardization in Algeria, to analyze the convergence of this accounting reform with the contribution to the IAS/IFRS reference system and particularly in application of IAS 24. Thus understand how the generalization of these standards can contribute to improving corporate governance

This research will allow us to understand the need to reduce agency costs and information asymmetries through the adoption of IAS 24 and to guarantee the reliability of information in accounting statements. This will protect minority shareholders and their rights.

Key Words: Accounting reforms, Algerian SCF, governance, IAS/IFRS, IAS 24

JEL Classification : M41, G34, G38

* Corresponding author: Nadir MALEK (*nadir.malek@ummto.dz*)

Introduction :

The organization includes all of the interactions between different parts - whether internal or external- and therefore the governance principles help capture those interactions by assigning responsibilities for how value can be created, preserved, and optimized. From these principles arises the whole relationship of communication between specific related parties and the inputs to the governance system always based on high-quality information produced under IAS/IFRS standards (Boubakeur, M. ,2016)

Financial information currently constitutes a fundamental raw material for making investment decisions. The financial information that a company provides helps users make resource allocation decisions regarding the company. Consequently, unreliable or irrelevant information leads to poor resource allocation, which in turn harms the company's governance system.



This situation has confined the accountancy experts to a cycle of harmonization, then to international accounting standard which persuaded identifying with IAS/IFRS norms for coordinating bookkeeping language practice (Kchiri, A. & all. ,2020).

Algeria, consistent with the basic these of economic liberalization and the internationalization of financial markets, chose to adopt either exposure or translation of IAS/IFRS instead of they are up-to-date its countable habits. So, a new accounting system which is called the Financial Accounting System (SCF) was developed and used in 2010 (Mouffok, B., 2020).

Given the recent case of Algerian SCFs, to what extent does a SCF embody IAS/IFRS concepts (IAS 24) to guarantee that it ensures high-quality and accurate financial information for shareholders?

Indeed, this issue raises several questions, which we aim to answer through the content of this article, namely:

- What is financial information?
- What are IAS/IFRS accounting standards?
- What strategy has Algeria adopted in terms of accounting standardization?
- What are the interactions and convergences of these accounting reforms concerning the IAS/IFRS framework, particularly in the application of IAS 24?
- How can the generalization of these standards contribute to improving corporate governance?

To address these questions, the methodological approach adopted in this work is qualitative, primarily based on bibliographic research and the insights gained from studies related to the subject of our article.

I. The Concept of Accounting Information

Staubus (1971) likens accounting to an "informative" activity, meaning one whose objective is to produce information. But what exactly is information? In the scientific realm, defining this concept is not easy, as it is generally associated with a somewhat vague notion applicable to fields as diverse as economics, psychology, biology, or computer science.

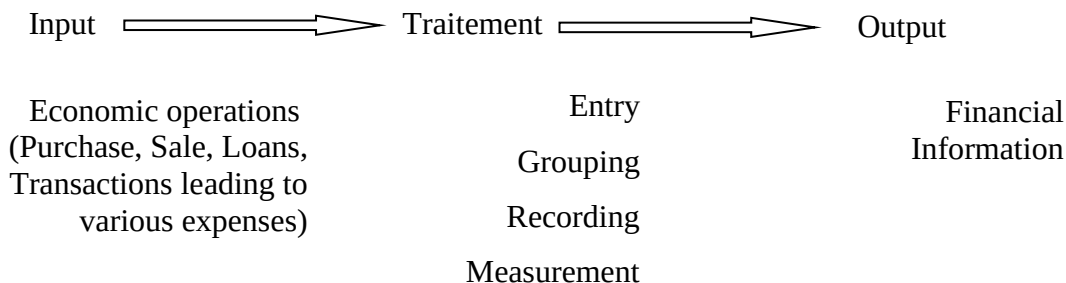
In everyday language, the term "information" can refer to several possible meanings: report, inquiry, announcement, notice, statement, news, exclusivity, scoop, etc. It is difficult to find a clear definition of accounting and financial information. Indeed, this notion, which seems relatively obvious at first glance, is actually very broad, and its boundaries are hard to determine. Chapellier suggests that accounting information is data that contributes to decision-making processes for company leaders. In our study, we equate accounting information with outputs



consisting of financial statements such as the balance sheet, cash flow statement, income statement, and accounting notes. These standardized, obligatory outputs are essential for economic decision-making (Chapellier P, 2013).

These financial statements, which are part of the accounting process as outlined in Figure 01, are prepared and presented at least once a year and aim to meet the common informational needs of a significant number of users.

Figure N° 01: The Accounting Process



Source : Laroche, C. D., Martel, L., & Marmousez, S. (2011). The Manager and Financial Statements. ERPI.

II.Accounting Information in Theoretical Context

We will explore theories that shed light on the concept of information.

1. Accounting Information and Theories of Information and Decision-Making

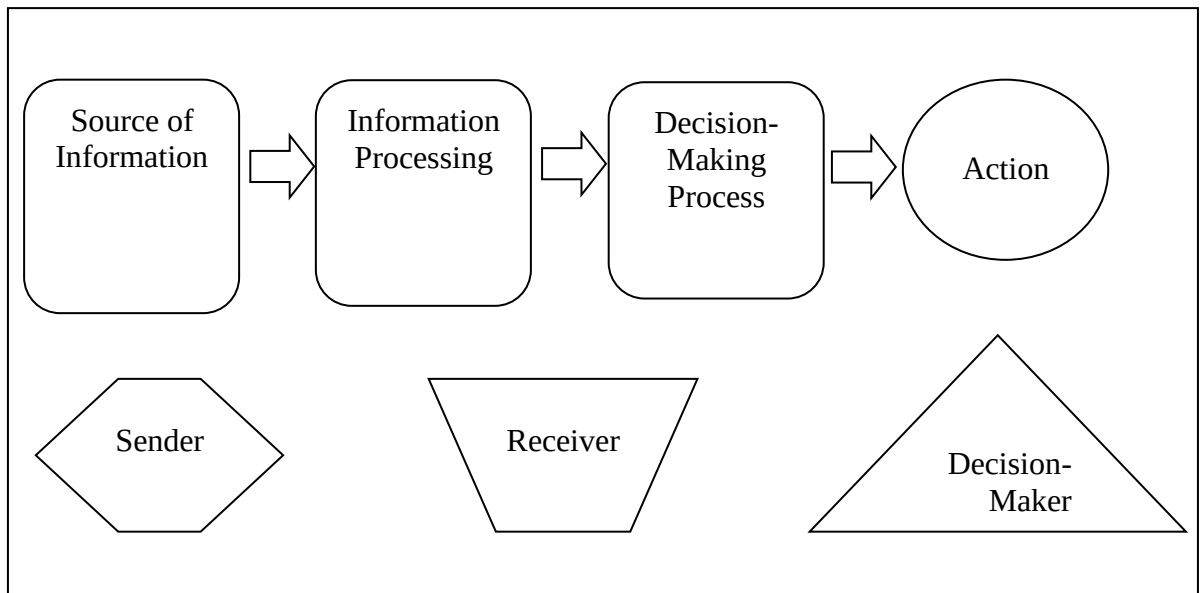
According to Degos, leaders need figures and quantitative data to justify, support, and rationalize their decisions. He also argues that no information system has been as useful as the accounting information system, although it is essential to find, within this reference system, not a faithful image, but the degree of definition of the image that neither overwhelms the user with unnecessary information nor deprives them of essential information (Degos J.G., 2005, p. 17).

In general, information is defined as a signal capable of altering the behavior of the recipient (Tort, E., 2003). Referring to economic theories, the concept of information can be approached from three perspectives: the technical aspect, which focuses on the physical transmission of information; the semantic aspect, which deals with the meaning of messages; and the efficiency aspect, which concerns the impact of these messages on decision-making. Taking these aspects into account, we can assert, with (Tort, E., 2003), that the theories of information (Shannon, C. E., 1948) and decision-making have helped clarify, in their time, these different dimensions of information by detailing:

On the one hand, the mechanisms of message transmission, including coding, sending, decoding, and reception operations. On the other hand, the breakdown of the decision-making process based on information, as summarized in the figure below.



Figure N° 02 : The Links Between Information, Decision, and Action



Source : Tort, E. (2003). *Organization and Management of Accounting Systems: Optimizing the Levers of Accounting Performance*. Dunod. Paris.

2. Accounting Information at the Heart of Agency Relationships

Another explanation of the stakes related to the concept of information can be based on agency theory, which analyzes the relationships between a principal (the party for whom an action is taken) and an agent (the party who acts), assuming that there is an information asymmetry between the two and that the agent has opportunistic behavior. The insightful research of (Degos, J. G., 2009, p. 63) on professional relationships and agency theory illustrates this situation well. These authors attempt to analyze the agency relationships generated between company executives, shareholders, and their privileged partners, such as accountants and external auditors, within the context of French commercial and accounting law. In fact, positive agency theory provides interesting insights into executive behavior regarding the dissemination of financial information.

An agency relationship is generally said to exist whenever a company or individual (the principal) entrusts the management of its interests in whole or in part to a third party (the agent), or, in other words, when one individual, the principal, requests something from another individual, the agent, without knowing all the relevant information. Although Charreaux (1987) attributes the origins of agency theory to Smith (1776), recent definitions of the agency concept are credited to researchers such as Jensen et al. (1976) and Ross (1973). Specifically, Jensen et al. (1976) define an agency relationship as "a contract under which one or more persons



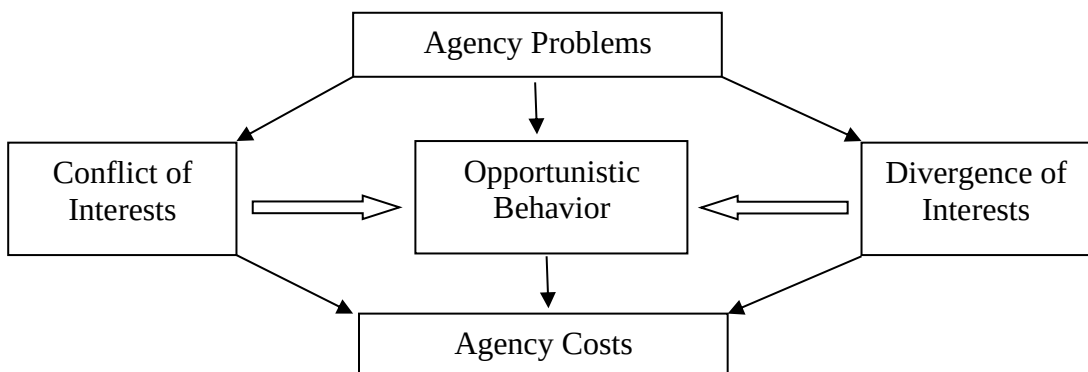
(the principal) engage another person (the agent) to perform some task on their behalf, which involves delegating some decision-making authority to the agent." Conversely, Ross (1973) states, "An agency relationship arises between two or more parties when one of these parties, the agent, acts as a representative of the other, the principal, within a specific decision-making domain." As a result, most economic relationships are characterized by principal-agent relationships, where moral hazard exists due to information asymmetry.

In fact, the agency relationship does not stem from outsourcing certain tasks but from the agent's indispensable possession of specific expertise or information. Therefore, the principal is compelled to rely on an agent to manage their own interests.

2.1. Agency Problems

The cooperative relationship between the principal and the agent often gives rise to agency problems. These problems arise when the interests of the principal and the agent diverge, leading to information asymmetry. Additionally, opportunistic behaviors can occur between the two parties, resulting in agency costs.

Figure N° 03 : The Factors Influencing Agency Costs



Source : Prepared by us based on the readings conducted

In the context of agency relationships, informational asymmetry refers to the gap between information holders (executives) and its recipients (shareholders or other stakeholders). Agency theory, which acknowledges the divergence of interests between the principal and the agent, argues that cooperative relationships between these two parties generate conflicts that lead to costs—agency costs. The behavior of both contracting parties can present two pitfalls:

- The first is the issue of moral hazard, which means that the behavior of one contracting party may differ from what they initially agreed to do.
- The second is the issue of adverse selection, meaning that before entering into the contract, one of the contracting parties conceals certain information from the other party.



III. Corporate Governance and Decision-Making: An Approach Through Agency Theory

In recent years, interest in corporate governance and its mechanisms has taken on a global dimension. A classical definition of governance considers it as a set of internal and external mechanisms aimed at aligning the interests of management with those of shareholders and other stakeholders of the firm. At this point, one of the contributions of agency theory comes into play, viewing the firm as a configuration of agency relationships between various stakeholders, where the organization of power is seen as a determinant of competitiveness and stability.

The fundamental goal of corporate governance is to enhance transparency within companies, particularly regarding accounting and financial information, to foster trust between the company and its stakeholders, accounting for labor market imperfections and information asymmetry.

1. Corporate Governance: The Importance of Considering Financial Information

Corporate governance and issues of financial transparency have been at the center of discussions for several years. The bursting of the financial bubble destabilized markets and undermined investor confidence. In the face of these threats, companies are required to adopt a financial information approach that can clarify their activities for third parties. The effectiveness of this approach depends on the ability to reduce situations of information asymmetry and conflicts of interest.

One of the primary roles of accounting and financial information lies in its impact on decision-making. Degos (2005) affirms that accounting information is primarily intended to serve as guidance for decision-making (Degos J., 2005, p. 4). Users need financial information to carry out three major activities (Tort, É., 2001, p. 30):

- Formulating predictions to reduce uncertainties;
- Contracting to facilitate the control and execution of agreements both inside and outside the company, while reducing sources of conflicts of interest;
- Retrospective analysis to understand the actions and events of past business years and to leverage that knowledge.

These points highlight that the role of accounting information is tied to one of accounting's traditional functions: providing information to managers and partners. Therefore, the goal of accounting is to produce financial information that primarily meets the decision-making needs of the company's various stakeholders. This position is supported by the international standard-setter IFRS, which states in its conceptual framework: financial statements provide stakeholders with a significant amount of information about the nature and performance of the company's activities. One of the main roles of these summary documents is to allow



users of financial statements to make informed economic decisions. Accounting information exists because it has value in decision-making.

Several functions are assigned to accounting. One of these functions is to produce the most useful information for decision-making and action to reduce uncertainty, informational asymmetry, and sources of conflicts of interest associated with decisions. Additionally, if the consequences of these decisions are quickly apparent, the company's governance system will also be affected.

As an illustration, from a stakeholder perspective, decisions regarding the initiation and maintenance of supplier-client relationships, especially the granting of inter-company credit, must be made. To do so, financial statements must inform readers not only about the company's solvency but also about its current and projected economic potential, growth possibilities, and profitability.

For financial partners, such as investors and lenders, the decision to enter into agreements with the company depends on the availability of strong financial information, as far into the future as possible. In this approach, rational decision-making can only be done based on relevant and reliable financial statements, which also contribute to the construction of financial and economic ratios. Supplier financial information informs the client about the company's likely sustainability (Djongoué, G., 2015).

2. The Contribution of IAS/IFRS Standards to Decision-Making and the Effectiveness of Organizational Governance Systems

In the era of globalized financial markets and financial scandals that have shaken the international stage, financial information has become a critical raw material for investment decision-making. This raises the issue of companies' ability to meet the multiple demands of various stakeholders. This situation has led accounting professionals to engage in a process of harmonization and international accounting standardization, advocating for the application of IAS/IFRS standards to unify accounting language (Chaala, A., 2018).

IAS/IFRS (International Accounting Standards/International Financial Reporting Standards) are international standards aimed at establishing a uniform accounting system across countries. The goal is to restore the clarity of corporate accounts and the confidence of investors in markets. Proper application of these standard accounting rules leads to a fundamental improvement in investors' ability to monitor the company through the reliability of financial information. This aligns with the strengthening of high-quality governance principles, which help to improve transparency and regulate relationships within society (Boubakeur, M., 2016, p. 28).

These standards aim to increase the disclosure of information to boost the confidence of financial report users and protect shareholders and stakeholders, while



presenting the best possible image of the company's performance and financial situation (Boubakeur, M., 2016, p. 29).

To adhere to the principle of corporate internationalization, the development of international trade, and the demands of financial market globalization—requiring comparability of financial information—several countries, including Algeria, have opted for reforms and the harmonization of accounting practices: aligning with or adapting to IAS/IFRS. At this point, the question arises as to whether the provisions of the Financial Accounting System converge towards the IAS/IFRS framework, particularly in the application of IAS 24.

IV. Accounting Standardization in Algeria: A Brief Overview

Since gaining independence in 1962, Algeria has implemented three accounting models (Boubakeur, M., 2016, p. 26):

- The first model, inherited from the "French General Accounting Plan of 1957," was applied until 1975.
- The second model, in use from 1975 to 2008, known as the National Accounting Plan.
- The third model, called the Financial Accounting System (SCF), was promulgated in 2007 and implemented in 2010.

The following table outlines the characteristics of these three models.

Table n° 01 : Evolution of the Algerian Accounting System

System	Period	Characteristics
PCG	1957-1975	An inheritance from the colonial administration that adopts the same French accounting system.
PCN	1975-2007	An adaptation to the needs of Algerian planning and business management according to the political orientation of the country after independence.
SCF	2007 to the present day	An adaptation of the National Accounting Plan (PCN) to the requirements of international accounting standards IAS/IFRS.

Source : carried out by us

1.IAS 24 Standard: What Is It About?



This standard defines different categories of entities and individuals as related parties and specifies the information that must be disclosed regarding these parties. The objective of this standard is to ensure that an entity's financial statements contain the necessary information to highlight the possibility that its financial position and net income may have been affected by the existence of related parties and by transactions and balances, including commitments, with those parties (IAS 24). In other words, the standard prescribes requirements for identifying relationships and transactions between related parties as well as disclosure obligations regarding them. As a result, companies must include a separate note in the appendices of their consolidated financial statements concerning related parties (Ayachi, F., 2022, p. 876).

According to the international accounting standard IAS 24, two or more parties are considered related if one has the ability to control, jointly control, or exercise significant influence over the other in making operating or financial decisions.

Thus, this standard addresses relationships between related parties, specifically:

- Holding companies and direct or indirect subsidiaries (even those 100% owned);
- Associated entities;
- Individuals holding, directly or indirectly, a voting interest that allows them to exert significant influence over the entity;
- Key managers (directors, executives);
- Entities in which a shareholder, director, or common manager can exert significant influence;
- Parties that exercise joint control over the entity as well as parties over which the entity exercises joint control.

When considering all possible related party relationships, attention must be paid to the substance of the relationships, not just their legal form. Accordingly, the standard specifies that financial statements must provide the following information:

- When there is a control relationship, information about the relationship between related parties must be disclosed, whether or not there have been transactions between them;
- If transactions have occurred between related parties, the entity presenting the financial statements must indicate (by detailed categories of related parties):
 - The nature of the relationship between the related parties;
 - The types of transactions;



- Transaction details necessary to understand the financial statements, including:
 - An indication of the volume of transactions, either in amounts or proportions;
 - The amount of the transactions and existing balances.

Entities must also disclose information regarding:

- The compensation of key managers;
- The identification of relationships and transactions between related parties;
- The identification of balances, including commitments, between an entity and related parties;
- The identification of circumstances in which the disclosure of elements between an entity and related parties is necessary;
- The determination of the information that should be provided about these elements.

2. Integration of IAS 24 into the Provisions of the Financial Accounting System: A Critical Analysis

Corporate governance encompasses a set of rules and behaviors that determine how companies are managed and controlled. It should help set company objectives, identify the means to achieve them, and evaluate performance, thereby creating value for shareholders. These objectives must align with the interests of the company, its shareholders, and other stakeholders. In recent years, there has been greater focus on the relationship between companies and their shareholders, particularly regarding the rights and obligations of the latter.

The issue of relationships and transactions between related parties is one such aspect. These relationships can pose risks to companies and their shareholders, as they may allow related parties to capture some of the value of the company. Therefore, it is important to establish measures to ensure that these transactions are carried out in a manner that protects the interests of all parties, particularly minority shareholders. This is the context in which IAS 24 operates.

In Algeria, the integration of the spirit of IAS 24 into the accounting system is entirely absent, for several reasons:

- The publication timeline: The date of publication of IAS 24 is 2009, while the SCF was designed in 2008, meaning that the Algerian legislator limited its compliance to IAS 1, which deals only with the presentation of financial statements.



- The specific characteristics of corporate governance in Algeria, where most companies are state-owned (joint-stock companies with capital held by the state), and the rest are family-owned businesses. Furthermore, the stock market activity remains minimal, and the number of listed companies is very small.

A comparative perspective can be drawn from the experience of the Gulf Cooperation Council (GCC) countries. In their empirical study, Abdallah and Ismail (2017) examined the relationship between corporate governance practices, ownership structure, and firm performance in these economies. They found that despite formal compliance with international governance standards, including disclosure requirements akin to IAS 24, the practical implementation of such standards remains limited.

This is largely attributed to concentrated ownership structures (either state-owned or family-controlled firms) which often reduce the pressure for full transparency in related party disclosures. These findings echo the Algerian context, where the predominance of state capital and the marginal role of the stock market contribute to weak enforcement of disclosure obligations.

The comparison highlights that mere formal adoption of international standards is insufficient without institutional mechanisms and market incentives that promote compliance and transparency.

Furthermore, Nafti and Errais (2013) conducted a comparative empirical study on French and Tunisian firms to assess the impact of IAS/IFRS adoption on accounting variables and earnings management practices. Their findings reveal that, while the adoption of international standards introduces more modern accounting tools, it also creates opportunities for earnings manipulation, especially in developing countries where institutional frameworks are weaker.

In the Tunisian case, IAS/IFRS implementation was often formal and lacked rigorous enforcement, leading to minimal improvements in the quality of financial disclosures. This observation is highly relevant to the Algerian context, where the adoption of IAS 24 has not yet translated into a tangible enhancement of governance or information reliability due to similar institutional and structural constraints.

**Conclusion :**

International accounting standardization is the result of a broad movement in the evolution of international finance. This evolution, characterized by trends like globalization, securitization, deregulation, and disintermediation, necessitates the harmonization of accounting principles. Financial statements are considered by international financial actors (investors, fund managers) as a foundation for making sound decisions. This is the purpose of IFRS and IAS standards.

The goal is to establish a harmonized accounting model to facilitate international trade while providing secure and useful financial information for internal and external decision-making. Financial information remains a strategic lever and is seen as a determinant of governance system performance. It must be "understandable," "relevant," "material," and "reliable." Thus, IFRS standards are more principles-based than rules-based, allowing companies a certain degree of flexibility.

A significant and growing number of countries, including Algeria, have opted for this accounting harmonization (IAS/IFRS). Algeria developed a new accounting system called the Financial Accounting System (SCF), implemented in 2010. However, these standards face challenges in being adopted by internal accounting professionals within Algerian companies, mainly due to limited understanding and mastery of the standards. This situation is further aggravated by pressures from various factors such as time constraints, inter-departmental relations, and inflexible working conditions.



Bibliographic References :

- Abdallah, A. A.-N., & Ismail, A. K. (2017). Corporate governance practices, ownership structure, and corporate performance in the GCC countries. *Journal of International Financial Markets, Institutions and Money*, 46(C), 98–115.
- Ayachi, F. &. (2022). Information relative aux parties liées: IAS 24 et dispositions du Système Comptable Financier," Une norme comptable au service de la gouvernance d'entreprise. *Journal of Human Sciences* , 9 (1), 874-892.
- Boubakeur, M. (2016). L'impact des normes internationales de divulgation financière sur le renforcement des principes de la gouvernance d'entreprise in revue n° 09/2016, P.27. *Majalat "ada" almuasasat aljazayiria [revue de la Performance des entreprises Algériennes]* , 5 (1), pp. 25-48.
- Chaala, A. &. (2018). La réforme comptable algérienne : quelle convergence vers le référentiel comptable international IAS/IFRS ? in (IJBS) Vol.7 pp.81-86. *International Journal of Business & Economic Strategy* , Vol.7 , 81-86.
- Chapellier P, A. M. (2013). Le système d'information comptable des dirigeants de PME syriennes : complexité et contingences. *Management & Avenir* , 7 (65), pp. 48 - 72.
- Degos J.G". (2005). .Evaluer l'information comptable pour anticiper la valeur financière des actions. *La Revue du Financier* , 27 (156), pp. 16-26.
- Degos, J. G. (2009). Qui est obligé par la loi d'établir des documents comptables? (M. D. Muller, Éd.) *Comptabilité et responsabilité pénale* .
- Degos, J. (2005). Gouvernance et communication financière des PME : l'importance du rapport de gestion. *La Revue du Financier* , 27 (150).
- Djongoué, G. (2015). Qualité perçue de l'information comptable et décisions des parties prenantes. (*Doctoral dissertation, Bordeaux*) .
- Kchiri, A. & all. (2020). Informations financières issues du Référentiel IAS/IFRS et gouvernance de l'entreprise: vers une approche légaliste. *Revue Internationale d'Economie Numérique*, 2(1), . , 2 (1), pp. 88-106.
- Laroche, C. D., Martel, L., & Marmousez, S. (2011). Le gestionnaire et les états financiers. ERPI.
- Mouffok, B. (2020). La Normalisation Comptable En Algerie Et Ses Effets Sur La Qualite De L'information FINANCIERE. *Revue algérienne d'économie et gestion* , 14 (02), pp. 291-309.
- Nafti, O., & Errais, O. (2013). Enjeux des IAS-IFRS: entre actualisation des variables comptables et manipulation des résultats nets. Étude empirique des entreprises françaises et tunisiennes. *La Revue des Sciences de Gestion*, (5–6), 145–161.



- Shannon, C. E. (1948). A mathematical theory of communication. *The Bell system technical journal*, , 27 (3), 379-423.
- Staubus, G. J. (1971). *A theory of accounting to investors*. Scholars Book Company.
- Tort, É. (2001). Contribution à la connaissance des systèmes comptables des grandes entreprises en France: approches organisationnelles, managériales et pratiques de gestion: bilan et perspectives. (*Doctoral dissertation, Paris 1*) .
- Tort, E. (2003). *Organisation et management des systèmes comptables: optimiser les leviers de la performance comptable*. Paris: Dunod.