

Accounting Reform in the Arab Maghreb (Algeria, Tunisia and morocco): Comparative study between the principles, concepts, financial statements and its elements

الإصلاح المحاسبي في المغرب العربي (الجزائر وتونس والمغرب): دراسة مقارنة بين المبادئ

والمفاهيم والبيانات المالية وعناصرها

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الملخص: أحد أهم متطلبات الاندماج في الاقتصاد العالمي هو توحيد الأنظمة المحاسبية بما يتماشى مع الممارسات المحاسبية الدولية وذلك من خلال جعلها متوافقة مع المعايير المحاسبية الدولية IAS/IFRS، وفي هذا السياق واستجابة لهذا المطلب الدولي قامت دول المغرب العربي (الجزائر، وتونس، والمغرب) بإصلاح أنظمتها المحاسبية. تهدف هذه الورقة البحثية إلى تسليط الضوء على هذه الإصلاحات المحاسبية بالإضافة إلى دراسة مقارنة لأهم عناصر الأنظمة المحاسبية المطبقة في دول محل الدراسة. للإجابة على إشكالية البحث تم استخدام المنهج الوصفي، بالإضافة إلى المنهج المقارن عن طريق تحليل الوثائق عند إجراء المقارنة بين الأنظمة المحاسبية في الدول محل الدراسة. ومن ضمن النتائج، هو أنه أصبح تطوير المحاسبة في البلدان المغاربية بطيئاً جداً مقارنة بالمعايير المحاسبية الدولية LIAS حيث تواجه هذه البلدان العديد من الصعوبات في تحديث معاييرها المحاسبية بما يتماشى مع معايير المحاسبة الدولية / المعايير الدولية لإعداد التقارير المالية. **الكلمات المفتاحية:** الإصلاحات المحاسبية، البيئة المحاسبية، النظم المحاسبية في دول المغرب العربي، المعايير المحاسبية الدولية IAS/IFRS.

Abstract : One of the Most important requirements for integration into the global economy is the harmonization of accounting systems in line with international practice by adapting with IAS/IFRS. In this context, the Arab Maghreb countries(Algeria, Tunisia, Morocco) adopted accounting reforms in order to respond to this international requirement . This paper aims to highlight the accounting reforms in the Maghreb countries, as well as a comparative study of the accounting systems of these countries. Two methodological approaches were used to answer the paper's questions: a descriptive approach and the document analysis approach.

Findings: Accounting development in the Maghreb countries has become very slow in comparison to the International Accounting Standards (IAS). These countries face many difficulties in updating their accounting standards in line with IAS/IFRS.

Key Words : Accounting reforms, Accounting environment, Accounting systems in the Arab Maghreb, Accounting standards IAS/IFRS.

JEL Classification: M14

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Introduction:

With the globalization of companies and financial markets and the increase in international trade, financial information prepared in accordance a local accounting system has become inadequate to meet the needs of users, leading to the need for financial information with an international dimension. Recognizing this fact in addition to the need to adapt accounting with the new global environment and new requirements of decision makers (Zeghal and Mhedhbi, 2006, P374), the Accounting Standards Committee was established in 1973. this committee is considered a major turning point in the field of international accounting compliance. The committee has issued accounting standards that have been accepted and spread in many countries of the world.

Currently, many countries have adopted international accounting standards. In 2002, the European Parliament confirmed its objective to adopting the International Accounting Standards (IAS). By 2005, accounting standards were adopted by the consolidated accounts of listed companies, including banks and insurance companies. On 27 February 2006, the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) issued a memorandum confirming the common objective of both Boards to develop common accounting standards for international stock markets. (zehri and abdelbaki, 2006).

In the early 1986, the Maghreb countries (Algeria, Tunisia, and Morocco) have witnessed economic reforms that made them more integrated into the international economy, which have necessitated of accounting reforms to adapt their systems to international accounting standards.

Tunisia is one of the first countries in field of international accounting harmonization. The history of the Tunisian experience dates back to 1996 when the adoption of the enterprise accounting system based on international standards. Algeria has also adopted an accounting system inspired by international accounting standards IAS/IFRS [1]. This system complies with IAS/ IFRS in several respects, while the most complex and inappropriate standards for the local economy have been modified, (Zehri and Chouaibi,2013) As for Morocco, it issued the general code of the accounting normalization in 1989, in which it attempted to bring accounting practices closer to international accounting standards.

The objectives of this paper are to show the efforts made Algeria, Tunisia, and Morocco toward developing accounting standards, more specifically, we will attempt to answer the following questions:

What are the common sections between the three accounting devices?

What are the points of convergence and divergence between the accounting systems in the countries case study?

This paper is organized as follows: Section1 reviews the Accounting Reforms in the Arab Maghreb Countries; Section 2 presents the basic components of accounting systems in Algeria, Tunisia, and Morocco; Section 3 presents comparative study of the accounting systems in the three countries.

1. Accounting reforms in Arab Maghreb (Algeria, Tunisia, and Morocco)

Referring to the accounting literature Harmonization based on accounting standards has several advantages for countries at the macro and micro levels and made them more integration into the global economy and attract investments and to increase export and hence to ensure economic growth (klibi, 2016, P360). In this context, the Arab Maghreb countries (Algeria, Tunisia, and Morocco) adopted accounting reforms in order to benefit from these advantages

1.1. Algeria

Prior to independence the Algerian accounting system closely paralleled and followed the French General Accountant plan (PCG)[2] of 1957. In April 1975, the Algerian accounting bodies substituted the French General Accountant plan with an Algerian accounting system (PCN)[3], which fits Algeria's economic requirements and which was modelled on socialist accounting methods. Since beginning of 1976 the plan became mandatory for public organisms of an industrial and commercial character, semi-public companies, which, whatever their forms, are subject to the tax regime according to their actual profit (Slimane, 2010, P120). By the end of the 1980s, Algeria had undertaken a series of economic reform, which were followed by an accounting reform that ended with the issuance of the financial accounting system in 2007.

The financial accounting system intended was the subject of Law No. 07-11 of 25 November 2007. This law defines the main components of the financial accounting system as well as its scope of application

In application of the latter, Executive Decree No. 08 -156 of 26 May 2008 is intervened to define the application of the FAS, By identifying the Objectives of the conceptual framework and the characteristics of financial information in addition to accounting principles and assumptions and the general rules for the presentation of financial statements (Dr. Abirat and M. djekidel, 2010,)

In this context, decree dated 26 July 2008, have just been published in the Official Journal. This decree identified the following:

- The valuation and accounting rules.
- The content and presentation of the financial statements.
- The nomenclature and operating rules of the accounts.
- The criteria for small entities for simplified financial accounting.

1.2. Tunisia

At the beginning of the French colonization, even if Tunisian law texts were not repealed, Tunisian companies used French law. As France's authority over Tunisia, increased, French texts became increasingly mandatory. This tendency facilitated the adoption of three French chart of accounts (1942, 1947 and 1957) by Tunisian companies existing at that time. The application of the French accounting system continued even more after independence (Khemiri and Ben Chehida, 2010, P3).

Beginning in 1961, the Tunisian government expanded its state control magazines to cover economic activities by adopting several reforms that reflected the socialist orientation, accordingly, the State decided to establish an independent accounting system project that would be adapted to new needs of the nation. This accounting project, based on the French accounting model, was created in 1968

With the 1980s' economic crisis and the new liberal orientation of the Tunisian Government, the PCG 1968 became outdated. In 1986, the Tunisian Government adopted the Structural Adjustment Plan, which aimed to liberalize the national economy. Ten years later, the Tunisian standard-setter issued the EAS. Initially (in 1996), the EAS (enterprise accounting system) contained a conceptual framework and 15 TAS (Tunisian accounting standards). Currently, it includes 42 TAS issued gradually since its implementation (Ben Slama and klibi, 2017, P759).

The Tunisian accounting system based on the following elements:

- Law N°: 96-112 of 30 December 1996.
- Conceptual Framework: adopted by Decree No. 96 - 2459 of 30 December 1996.
- Tunisian accounting standards (42 TAS).

1.3. Morocco

In Morocco, accounting reform began in 1986 by the Ministry of Finance in collaboration with the relevant departments and professional organizations concerned and was subsequently consolidated by the actions of the (CNC) in the early 1990s (Karima Haoudi, 2015).

All this effort made gradually led to the adoption of the following texts:

- the general code of the accounting normalization (CGNC) in 24/12/1986: It consists of two main parts:
 - General Accounting Standard: This Standard contains the accounting framework and the principles of consolidated accounting.
 - General Corporate Chart of Account.
- Accounting law 9-88 concerning the accounting obligations of the storekeepers.

Morocco during the elaboration of its accounting standards always attempted to respect the international standards and inspired by the most recognized and the most convincing foreign experiences. So, the Moroccan standards strongly respected the European Directives, in particular the EU Fourth, Seventh and Eighth directives (guellim and omri, 2016, P620,)

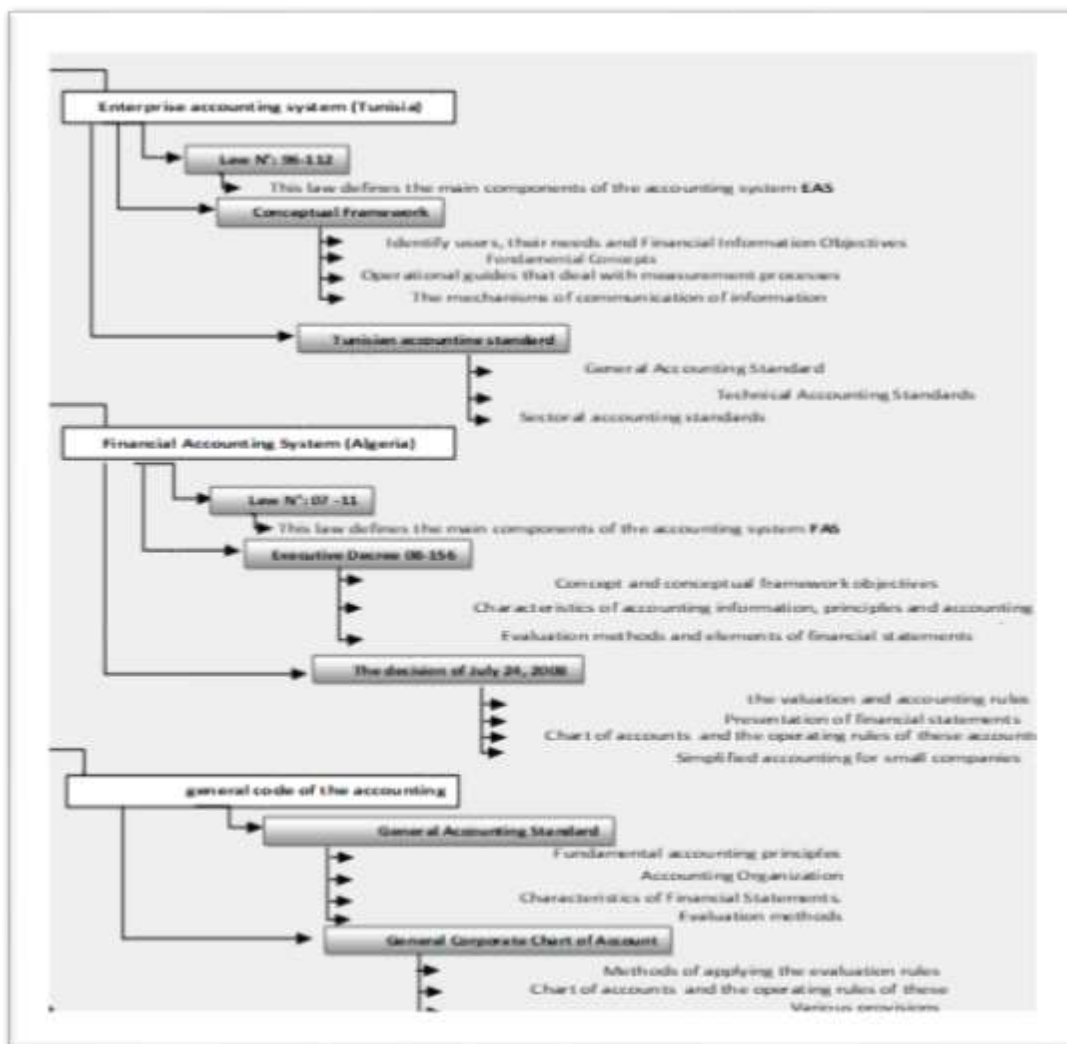
after the decision of the European Union to apply the standards IASB on companies quoted in stock exchange from year 2005, the Moroccan national council of accounting (CNC) published the notice N° 5 defines a methodology relating to the preparation of the consolidated accounts, while leaving to groups the choice of its standers, or adoption IFRS standards. (khalifa and others, 2014).

2. the basic components of accounting systems in Algeria, Tunisia, and Morocco

In the background of the accounting system in the Arab Maghreb countries (Algeria, Tunisia and Morocco), it notes that in substance complies with the International Accounting Standards (accounting for Anglo-Saxon) in order to provide it with the same conceptual framework as international accounting, but in terms of form we find it adaptable to accounting European - continental - based on a chart of accounts.

The following figure shows the basic components of accounting systems in Algeria, Tunisia and Morocco.

Figure 1 : « components of accounting systems in Algeria, Tunisia, and Morocco »



Source: Own elaboration from Decree No. 08 -156 of 26 May 2008, Law N°: 96-112 of 30 December 1996, and the general code of the accounting normalization.

3. comparison of the accounting treatment of certain particular elements

The following tables is a comparative study between the principles, concepts, financial statements in the countries of study and will be based on the laws and accounting texts of the three each country:

- The legal bases of accounting regulations

Algeria	Law
Tunisia	Law
Morocco	Law

- formal conceptual framework

Algeria	existence of a conceptual framework that is briefly included. Consists of: ▪ Users of financial information ▪ The objective of financial reporting ▪ The qualitative characteristics of financial information ▪ Accounting principles ▪ Accounting Assumptions ▪ Elements of financial statements ▪ Evaluation Methods
Tunisia	The existence of a detailed conceptual framework, Consists of: Users of financial information ▪ The objective of financial reporting ▪ Users of financial information ▪ The qualitative characteristics of financial information ▪ Accounting principles ▪ Accounting Assumptions ▪ Elements of financial statements ▪ Evaluation Methods Communication mechanisms
Morocco	Absence of conceptual framework, However, Accounting principles and Evaluation Methods were set out in the General Accounting Standard (GAS)

- The financial statements:

Algeria	▪ Balance sheet, income statement, clash flow statement, statement of shareholders' equity and Annex
Tunisia	▪ Balance sheet, income statement, clash flow statement, Annex
Morocco	▪ Balance sheet, income statement, the Statement of Management Balances, financing table, state of the additional.

▪ The elements of the financial statements:

Algeria	▪ Assets, Liabilities, Equity, Income Expenses.
Tunisia	▪ Assets, Liabilities, Equity, Income Expenses. ▪ The Tunisian conceptual framework presents income and profits as two separate items in the financial statements. ▪ The Tunisian conceptual framework too presents charges and losses as two separate items in the financial statements.
Morocco	▪ Assets, Liabilities, Income Expenses.

▪ The general basis of evaluation

Algeria	▪ Historical cost, Replacement cost (current cost), Realization value, Present value.
Tunisia	▪ Similar to Algeria.
Morocco	▪ Historical cost.

▪ Stock

Algeria	▪ The recommended methods are: FIFO [4] or CMP
Tunisia	▪ The recommended methods are: FIFO or CMP
Morocco	▪ Similar to Algeria and Tunisia

▪ Research and Development Costs

Algeria	▪ Research costs: Recognized as expenses and should not be capitalized ▪ Development costs: if certain conditions are met ▪ amortization over 20 years maximum
Tunisia	▪ Research costs: Recognized as expenses and should not be capitalized ▪ Development costs: Is capitalized as an asset if certain conditions are met ▪ amortization over 5 years maximum
Morocco	▪ Research costs: Recognized as expenses and should not be capitalized ▪ Development costs: Is capitalized as an asset if certain conditions are met ▪ amortization over 5 years maximum

▪ Deferred taxes

Algeria	▪ Calculation of deferred taxes on the basis of temporary differences between the book value and the tax value of assets and liabilities. Deferred tax assets and liabilities should be recognized.
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Tunisia	▪ There is no accounting standard relating to deferred taxes
Morocco	• There is no provision for deferred taxes in the General Accounting Standard, and according to the latter, only the current tax payable in the relevant year is recognized
▪ Leasing Contract	
Algeria	▪ Assets acquired under leasing are recognized as an asset in the balance sheet of the company.
Tunisia	▪ Assets acquired under leasing are recognized as an asset in the balance sheet of the company.
Morocco	▪ Assets acquired under leasing can not be shown on the asset side of the Balance sheet as long as the purchase option has not yet been made, this type of leasing is recognized as an expense.
▪ Goodwill	
Algeria	▪ Recognized as an asset. ▪ Unauthorized depreciation ▪ Accumulated value losses are recognized
Tunisia	▪ Recognized as an asset. ▪ Depreciation method: linear ▪ The useful life of the asset: Maximum duration 20 years. ▪ Accumulated value losses are recognized
Morocco	▪ Recognized as an asset. ▪ Depreciation method: linear ▪ The useful life of the asset: Maximum duration 20 years.

4. Principle Results

At the end of the comparison between the accounting systems of Maghreb countries, we were able to identify the following main results:

- The Arab Maghreb countries have a number of common characteristics, including the following:
 - Chart of accounts: when study the accounting systems in the Arab Maghreb countries (Algeria, Tunisia, morocco), it finds that all the three countries rely on a Chart of accounts, which is considered the basis for recording and classifying the financial operations of the companies.
 - The legal nature of accounting: The process of consolidation and

- development of accounting in the Maghreb countries is entrusted to the official bodies. Where is the Publication and development of accounting texts and laws by "Ministry of Finance".
- Effect of tax rules on accounting practices: Tax rules, and in particular the rules for determining the bases of the tax on profits, still govern many accounting rules and the methods used in companies in these countries.
- It is clear that the most important development in the Algerian financial accounting system and in the Tunisian accounting system is the existence of a conceptual framework including a theoretical framework and the principles, Assumptions and characteristics of financial information, etc. In contrast to GNC in maroc, which did not include a document under the «conceptual framework».
- The CGNC provides five financial statements in the same way as Algeria and Tunisia, 3 of which could be assimilated as to their purpose or purpose. The balance sheet, income statement, and finally the statement of additional. But In contrast to the SCE and SCF The CGNC does not provide for a statement dedicated to changes in equity. However, it indicates on the financing chart information related to this and does not also provide a table dedicated to the cash flows of a given year.
- In contrast to the GANC, the Tunisian and Algerian accounting system distinguishes between liabilities, equity and defines liabilities as a current obligation that should result in an outflow of resources and not a resource in itself.
- As for income and expenses, we note that Tunisian reasoning is much more oriented towards future economic benefits, contrary to the GANC and FAS logic that describes the components of each of the products and / or expenses. Especially since the Tunisian standard distinguishes between the income and expenses of ordinary activities and the profits and losses, something that is not done at the level of the GANC and FAS.
- FAS and EAS emphasize two concepts for counting an item. The likelihood of future economic benefits and the reliability of the valuation that are of an economic nature that the CGNC does not anticipate as it favors a much more legal approach.
- As for Leasing Contract, we note that FAS and EAS recognize the assets acquired in the context of financial leasing as an asset. This reflects the application of the principle of the pre-eminence of substance over form, contrary to the Moroccan Accounting Law, which does not comply with this principle, but considers the leased assets as an expense.

5. The difficulties and obstacles that face the accounting systems in the Arab Maghreb countries

In the light of the global and regional economic developments, the accounting systems in the Greater Maghreb Countries (Tunisia, Algeria and Morocco), are still and will continue to face significant challenges, and among the most important of them are the following:

- ***The inability of accounting systems to meet the needs of large enterprises and others listed in the stock market:***

The principles of recognition and evaluation adopted in these three countries are largely inspired by world accounting system standards IAS / IFRS. However, in many cases, these systems provide simple ways and require less disclosure requirements than IAS / IFRS, and this partly due to the accounting systems in Arab Maghreb, which are based on an older version of IFRS, which was less complicated than the current release version.

These principles are generally sufficient to meet the specific needs of users of the financial statements of SMEs. As a result, the standardization institutions, in the countries under study, must adopt international standards for preparing financial reports for enterprises of public interest (large enterprises and others listed in the stock market). Thus, maintaining the current accounting systems for the majority of local institutions without forgetting the follow-up work of the International Accounting Standards Board (IASB) on the development of international accounting for small and medium enterprises standards.

- **Considering the Global Accounting:**

The accounting reforms that carried out on the accounting systems, in the Maghreb countries, were not sufficient as needed to integrate into the world economy. These reforms were only a part of the overall economic reforms and the accounting systems were not yet liberated as they are mainly in the developed countries. Therefore, the attraction of foreign investment still faces local accounting treatments that serve much the tax side that is why we notice the lack of confidence in letting foreigners, invest in the countries listed above.

- **Not considering the accounting standards at all (the inability to keep up with developments at the level of international accounting standards (IAS / IFRS):**

This thing caused the accounting treatments in the Maghreb countries be far from what is happening in the world. While developed countries try to modify the standards that make them internationally as close to the fair value. The accounting systems, in the Maghreb countries, are applying what are available there with special treatments far from accounting standards, and their aim is to approach the real values in particular, but not in the same as of international accounting standards.

▪ **Economic protection requirements:**

Adapting accounting systems in the Maghreb countries with accounting standards is very difficult because these criteria are made to fit the developed countries. Therefore, they did not take into account the degree of economic growth and openness of the underdeveloped countries in the preparation of these standards. This means that attempting to adapt these systems with the latest developments must be followed by a range of financial and banking reforms.

CONCLUSION

The aim of this paper is to present reality of accounting systems in the Arab Maghreb (Algeria, Tunisia and Morocco). Based on Descriptive approach and comparison, our study shows that accounting systems in the Arab accounting case study have evolved since this latter has chosen the transition from a socialist economically system to a liberal system. In this context, the Arab Maghreb countries have implemented accounting reforms that ended with the issuance of accounting systems with international reference

Comparison of accounting systems has demonstrated a similarity between these systems, especially with regard to the adoption of a code of accounts and a conceptual framework. The analysis also reveals a difference between the Algerian accounting system and the CGNC rules And the EAS that are closest to FAS. This is due to the modernity of the EAS and FAS compared to the Moroccan accounting system

in recent years, the development of accounting in the Arab Maghreb countries has become very slow Compared to the International Accounting Standards (IAS.) Where these countries face many difficulties to bringing their accounting standards up to date. These difficulties seem to be associated with environmental specificities. Accordingly, international standardization bodies and Arab Maghreb countries regulators should take into account environmental factors, which are determinant for the harmonization decision to succeed.

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Notes

- ¹The terms mean “IFRS: International Financial Reporting Standards” and “IAS: International Accounting Standards”.
- ²PCG is the French acronym of “Plan Comptable Général”.
- ³PCN is the former national chart of accounts, adopted by Algeria in 1975 through Ordinance 75/25 of 25 April 1975 and the Implementing Decree of 23 June 1975.
- ⁴FIFO: First in last out.