



THE IMPLEMENTATION PROBLEMS OF IFRS IN A DEVELOPING CONTEXT: THE CASE OF SCF IN ALGERIA

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Summary

The widespread adoption of IFRS around the world calls for research into the problems of their implementation, especially in developing countries whose environment differs widely from that for which these standards are developed. Of a qualitative nature, our study is interested in this question taking the case of the Algerian SCF. The results provide information on many problems and difficulties of various kinds.

Key words : IFRS, SCF, developing countries, accounting harmonization

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INTRODUCTION

Algeria began an accounting reform a few years ago, which gave birth to a new accounting system called SCF (Système Comptable Financier/Financial Accounting System), whose main source of inspiration is the International Financial Reporting Standards (IFRS). It started this reform in 1998 to reach eight years after a completed project. In 2007, a law was enacted requiring Algerian companies to its application in January 2009. Lack of sufficient preparation and legislative maturity, its first application was postponed to 2010. Since then, strong concerns expressed about the significant changes in the Algerian accounting practice because the standards that inspired it come with an Anglo-Saxon accounting philosophy completely different from that of continental Europe previously dominant. For many Algerian professionals and academicians, SCF is indeed a real accounting revolution [Bouraoui (2007); Mimeche and Kaddouri (2009); Saidi (2013); Djafri (2014)]. This study aims to answer the following questions: What are the problems related to the implementation of SCF?

Our study is exploratory in nature and limited to examining the point of view of different parties involved in the implementation of the SCF. We used primary data collected through interviews with various stakeholders (accounting and financial managers, auditors, accountants, members of Algerian accounting standards bodies and academics) and the financial statements of three companies, as well as secondary data from previous studies exploring the implementation of IFRS in developing countries.

1. LITERATURE REVIEW

Developing Countries (DCs) have joined their counterparts (developed countries) in the process of adopting international accounting standards ignoring the question of the relevance of these to their context (Tyrall et al, 2007). The debate on the relevance to DCs has challenged many researchers who have made an important contribution [Hove (1986); Perera (1989); Chamisa (2000); Aldjifri and Khasharmeh (2006); Tyrall et al (2007); Chouchene (2010); Hong Yang et al (2013)]. The results of these studies are mixed. While some are favorable for their adoption by developing countries and there are particular interests in terms of transparency of financial information and attracting FDI (Larson, 1993; Chamisa, 2000; Tyrall et al, 2007), others rejected this option arguing that IFRS are Anglo-Saxon nature standards that are not beneficial for DCs because of the economic, social and cultural differences (Hove, 1989; Perera, 1989). Arguments suggested are mainly focused on the fact that IFRS cannot meet the financial reporting requirements of all companies especially in developing economies. This is why the adaptation of IFRS to the context of the country and appropriateness of the choice made in the convergence process seems in this case, the prerequisites for success (Chand, 2005). According to some, international accounting standards may be inappropriate or detrimental to the needs of DCs (Hove, 1989; Samuel and Oliga, 1982; Abd-Elsalam and Weetman, 2003). They cannot be if they are not adapted to the economic and cultural context of the country concerned (Chouchene, 2010). Chamisa (2000) suggests that they are relevant to the Zimbabwean context as well as DCs where shareholders and fair view are important. The United Arab Emirates environment is found suitable for the adoption of IAS since it is a developing country whose stock markets are going international (Adjifri and Khasharmeh, 2006). However, they are unsuitable to the Tunisian cultural context characterized by a low level of professionalism and a preference for laws; high uniformity and a high level of conservatism and discretion (Chouchene, 2010). In Ukraine, Hong Yang et al (2013) conclude that IFRS have little interest because of the influence of the old mentality of Ukrainian accountants, the prevalence of public sector over the private sector and the local capital market that is at a rudimentary stage. In Morocco, the normative and technical complexity of IAS/IFRS has highlighted the limited cognitive abilities of practitioners who were not able to capture all the standards optimally much less anticipate the effects of the passage on financial statements (Taoub et al, 2014). The

complex nature of these standards has been highlighted in other studies (Jermakowicz and Tomaszewski, 2006; Larson and Street, 2004; Alp and Ustundag, 2009). The convergence process can also be retarded by implementation difficulties arising from the approach by principles of IFRS, "They have in fact, a significant proportion of interpretation and judgment which involves the adaptation process over time" (Hoarau et Teller, 2007, p.9). The problems of corruption, fraud, secrecy culture led Irvine (2008) to suggest that the United Arab Emirates is subject to face significant challenges in ensuring that transparency and integrity in its implementation of IFRS is a reality and not merely an image. This risk of a superficial application was found in the study of Daske et al (2007), where the heterogeneity in economic consequences of the adoption of IFRS between "serious" adopters and adopters of a "label" was raised.

The tax orientation of the national accounting systems was another barrier revealed in the literature (Jermakowicz and Tomaszewski, 2006; Larson and Street, 2004; Vellam, 2004). Vellam (2004) questioned the possibility of achieving a de facto convergence of Polish rules with IFRS and finds a preference for a tax accounting that reflects the different enforcement mechanisms operating in the accounting and tax systems. In the context of Romania, there is partial compliance with some standards and due to the strong link between accounting and taxation, a tax application of IAS/IFRS was often conducted (Ionascu et al, 2007). Several other problems have accompanied the implementation of IAS/IFRS: lack of an effective accounting regulatory framework and political influence (Nurunnabi, 2014), lack of implementation guide, divergence of interpretation, the use of fair value, lack of education, training and adequate knowledge of IFRS, insufficient expertise and underdeveloped accounting and auditing profession (Hoogendoorn, 2006; Sucher and Jindrichovska, 2004; McGee and Preobragenskaya, 2003). The evolution of this application is conditioned by the level of interest and demand from users for high quality accounting information, preparation and influence of auditors and national enforcement mechanisms (Albu and al, 2013).

2. THE ALGERIAN FINANCIAL ACCOUNTING SYSTEM (SCF)

The SCF (Système Comptable Financier) is promulgated in the form of legislative texts, namely: a law (Law no.07-11 of November 25th, 2007), an order (of July 26th, 2008) and two executive decrees (executive decree No.08-156 of May 26th, 2008 and the executive decree No.09-110 of April 7th, 2009). The SCF law came in 7 chapters comprising 42 articles treating the following aspects: Definition and scope of application (art 2-5); Conceptual framework, accounting principles and accounting standards (art 6-9); Organization of accounting (art 10-24); The financial statements (art 25-30); Consolidation and combined accounts (art 31-36); Changes in estimates and accounting policies (art 37-40); and finally Final provisions (art 41-42). The application of the provisions of this law was carried by the decree of May 26th, 2008. The second most explicit text promulgated by the Minister for Finance is the order which is divided into 4 large titles: (1) measurement rules and bookkeeping for assets, liabilities, income and expenses; (2) presentation of financial statements; (3) nomenclature and functioning of accounts; (4) simplified accounting for small entities. A glossary is appended to this text clarifying the definitions of various terms used. Thresholds have been set in this order used to distinguish between "Very Small Enterprises (Très Petites Entreprises (TPE)) that are subject to a simplified accounting system as follow:

Table 2. The thresholds determined to use simplified accounting system

Activity	Turnovers	Workforce
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Commercial	10 million of Algerian Dinars	9 full-time employees
Production and artisanal	6 million of AD	9 full-time employees
Service and other	3 million of AD	9 full-time employees

Source: the Order of 26 July 2008 setting the thresholds of turnover, workforce and activity applicable to small entities

As for the Executive Decree No. 09-110 of April 7th, 2009, it was dedicated to the modalities and conditions of bookkeeping through Computer systems.

The confrontation of the conceptual framework of IFRS with that of the new SCF but also with the old PCN is summarized in **table 3**. It shows similarities and differences between SCF and IFRS. SCF also maintains heritage of its past. It can be seen that SCF is aligned with the IAS/IFRS that are in total break with the PCN. The main innovation is the introduction of the principle substance over form. The Algerian SCF should not be confused with IAS/IFRS. Algeria has not migrated to IFRS but to a system based on international accounting standards since it is an intermediate model between the Anglo-Saxon model and European continental model.

It includes a conceptual framework that characterizes the Anglo-Saxon model and an accounting plan that exists in the European model (Ould Amer, 2010). It is therefore, a compromise between the two dominants models (Sadi, 2012) including a French footprint because it incorporates a large part of chart of accounts of the French PCG. Bouraoui (2007) dedicated his doctoral work in the study of the accounting standards setting strategy adopted by Algeria in developing the new SCF. The author concludes that this is a naturalistic adaptation strategy of IAS/IFRS to its context, and not a simple adoption. Toubache (2011) argues that a general application or large scale of IAS/IFRS in Algeria is not desirable; arguing that Algeria is to be a country of continental accounting tradition, with a weak institutional framework, where there is no financial market and accounting and auditing profession is undeveloped. According to the author, this is a country that meets all the criteria of irrelevance of adopting IFRS.



Table 3. The keys points of convergence and divergence between the conceptual framework of Algerian accounting system (NAP and FAS) and IFRS

Conceptual framework			
Existence and nature of the Conceptual Framework	All three accounting standards have a conceptual framework but its nature is different. SCF and IAS / IFRS have an explicit framework. However, for the PCN most of its elements have only an implicit frame.		
The scope	PCN- Any natural or legal person subject to taxation according to the actual system ; others not mentioned companies can use it.	SCF- any natural or legal person who is required by law or regulation to the establishment of accounting, with reserves to the provisions That are specific (Article 2 of Law No. 07-11). Companies subject to the provisions of the Commercial Code, cooperatives, natural or legal persons producing goods or commercial services or non-market to the extent that they engage in economic activities that are based on repetitive acts (article 4 Law No. 07-11). Simplified accounting is provided for Very Small Enterprises (TPE)	IAS/IFRS- commercial, industrial and other private and public companies
The financial statements and their goals	PCN- Balance sheet, income statement, statement of economic movements and 17 explanatory tables. Their goals are implicit. They must provide information for planning, statistics and business needs	SCF- IAS/IFRS : Balance sheet, income statement, state of changes in equity, statement of cash flows and the Annex. Their goals are explicit in the two repositories. They must provide information about the financial position, financial performance and future cash flows of the company for economic decision making.	
Users of financial statements	If the precision or definition of those users exists in SCF and IAS / IFRS, it can be identified by PCN in the report of its presentation (a document which was not made public). In this report it is stated that it is for: The company, financial institutions, national accounts and tax administration. They are quoted in SCF starting with those internal (management, administration and control bodies and the different internal structures of enterprises) and external (capital providers, administration and other institutions with regulatory power and control, other entity partners and other interest groups). None of them is privileged. While investors (current or potential) are the priority in the IAS / IFRS to other side that are: staff, lenders, suppliers and other creditors, customers, governments and their agencies and the public.		
Underlying assumptions	Accrual accounting and business continuity		
Accounting principles	PCN- implicitly we find the currency unit and double entry, non-compensation, periodicity, historical cost, prudence, consistent accounting methods, the balance sheet intangibility, independence exercises	SCF- twelve explicitly defined principles as follows: the frequency, independence exercises, convention of the entity, the currency agreement, materiality, prudence, consistency of methods, historical cost, intangibility the opening balance sheet, the rule of economic reality over legal, non-compensation and fair view	IFRS- the preeminence of the economic substance over form, neutrality, prudence, completeness, convention of the entity, convention of the monetary unit, relevance, reliability, materiality, consistency of methods, historical cost and not compensation
The concepts of an asset and a liability	The notion of the property is used to characterize an asset and the definition of a liability refers to its nature and to an expansive view of liabilities (we talk about real liabilities (debts) and fictitious liabilities (equity)). No distinction between urrent and non current items exist.	The notion of resource control is used for defining an asset, a distinction of assets is made between current and non-current assets according to their destination. The definition of liabilities refers to obligations, with a distinction between current and non-current liabilities and with a restrictive view (equity are excluded from liability).	
Qualitative characteristic of information	Not explicitly defined	relevance, reliability, comparability and intelligibility	
Technical framework			
An accounting plan	Its existence and its obligatory nature are characteristics of the Algerian accounting system (PCN and SCF). A decimal coding has been allocated. It is absent in the case of IAS/IFRS.		
Models of financial statements	They exist in both Algerian accounting systems (PCN and SCF) and absent under IFRS.		
Accounts operating rules, organization of accounting			

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Source: the authors



3. RESULTS AND DISCUSSION OF THE IMPLEMENTATION PROBLEMS OF SCF IN ALGERIA

The results and conclusions of this study are based on fifteen semi-structured interviews lasting from 20 to 79 minutes in three years (2011, 2013, and 2014). The interviewees were selected because of their knowledge, experience and expertise in accounting. Among the most critical issues raised during the interview were the reasons for setting up the SCF and the respondent's opinion in this regard, but most importantly, respondents were asked to identify the main issues (for accounting practice, the accounting profession and the Algerian economy) associated with the latter. All interviews were recorded and transcribed. The reference to the interviewees in this article is made using the letter E (symbolizing the ENTRETIEN in French language: interview) followed by its corresponding number (from 1 to 12). In Table 1, we present the profile of the persons questioned as well as the dates and duration of the interviews.

Table 1. List of interviews

Category of people interviewed	Duration	Number of interviews	Date of interview	Abbreviations in this paper
Financial Accounting Manager (FAM) of a large public port company	1h 17min	2	22/07/2014	E1
FAM of a private agribusiness company	79min	2	12/06/2014	E2
Chief Financial Accounting Department of a large private agribusiness company	19min	1	10/07/2014	E3
Chief department of «fixed assets » of a large private agribusiness company	42min	1	11/07/2014	E4
Chief of accounting studies of a large public port company	47min	1	21/07/2014	E5
Former member of the CNC, independent expert	22min	1	13/12/2011	E6
President of the CNCC (Chambre Nationale des Commissaires aux Comptes)	20min	1	24/11/2014	E7
Auditor, SCF trainer, University lecturer	1h5min	1	13/01/2013	E8
Auditor, SCF trainer, lecturer at the Higher School of Commerce	33min	1	13/01/2013	E9
Independent chartered accountant	27min	1	14/12/2011	E10
Independent chartered accountant	25min	1	14/12/2011	E11
University Senior lecturer	35min	1	14/01/2013	E12

Source: the authors

3.1. The “time” constraint and its impact on the preparation of companies

The time factor marked unanimity among respondents (100%). According to them, this is one of the perquisites neglected by the Algerian CNC (Conseil National de Comptabilité) in the implementation of the SCF. Take time to prepare the environment and make it fertile to accommodate this change is one of the concerns that should be taken seriously before announcing the implementation date. Certainly a postponement of the date from the January 1th, 2009 to January 1th, 2010 was made to give more time to the various actors to prepare and for more maturity in the accounting legislation, but it did not improve the existing situation as in the eyes of interviewed, this postponement did not bring anything and the time is considered very short compared to the accounting and financial revolution introduced by SCF, and it was one of the reasons that have not allowed the actors to prepare, to train and to document in good conditions, as argued below: *“For us it was too fast, the time was not quite enough to prepare Algerian companies to return to the reform” E1*

"The only fault I would say that this is an anomaly is that, we did not have time to prepare this reform especially training perspective. That is to say, we did not have trainers who have been trained to prepare us. I think he had first to train people, trainers before going to the implementation of the new system. Us, we took the SCF then we began to train, that's the problem that there is" E5

"We had to give at least 4 or 5 years' time, for example, tell to companies in 5 years everyone will be passed to SCF and not say this year that law will be applied." E3

"the problem for us is that we have not trained people, we postponed the implementation of the law from 2009 to be applied in 2010, but a year for people who apply for 34 years the NAP without they completely mastered it and leave it for an international system is not at all sufficient" E7

"We did not materially have time to implement the required adjustments. Each restatement is a project that requires the intervention of internal or external skills to decompose for example an asset" E10

An uplifting understanding of this new SCF from companies, professional accountants and auditors is conditioned on one hand, by providing them guidance or application notes covering all the necessary clarifications before the deadline implementation, and the establishment of a long term training plan in second hand to permit for them to have strong and extensive knowledge on the latter especially when it represents a radical change and a new accounting philosophy. Companies therefore, find themselves facing an obligation of SCF implementation in 2010 without that all the operational guidelines are given by the CNC. The slowness in the publication of texts and methodological notes to guide them in this transition has led some companies to close their 2010 financial statements according to the old PCN or to use a pure translation of accounts:

"I know a lot of companies, the first year they have done what is named the translation of the accounts, and it's just a transposition of accounts. I think there are always people who are like that; it was heard from the auditor that there are still companies that are like that." E1

"This situation is not unique to our company but the whole of Algeria who lived it because Company X continued a year with the PCN. In 2010, they closed their balance sheet according to PCN." E3

"(...) we, in the passage, what we did? We changed the accounts, we bought software and we launched the all." E4

"(...) the new system is applied in its only translation provisions of PCN accounts to SCF accounts. The passage proves a disaster." E8

The year of transition took the form of a purely technical exercise without the application of large SCF principles. The instruction "first application of SCF" was officially released in October 29th, 2009 followed by the CNC methodological notes supposed to give users the necessary elements and guidance to enable them to solve the difficulties on the one hand, and to realize the transition operations on the other hand. The chronology of methodological notes below illustrates this slowness.

Table 4. Chronology of appearance of notes of Ministry of Finance concerning the first implementation of SCF

Methodological Notes of the Ministry of Finance		Date of appearance
N°1	Methodological note on First Financial Accounting System Application	October 19, 2010
N°2	Note on inventories	December 28, 2010
N°3	Note on intangible assets	December 28, 2010
N°4	Note on tangible assets	March 20, 2011
N°5	Note on accounting for retirement benefits	March 26, 2011
N°6	Note on the restatement of non-operating income and expenses	May 5, 2011
N°7	Note on the restatement of long-term contracts	May 24, 2011
N°8	Note on the restatement of financial assets and liabilities	June 7, 2011

Source: The authors

3.2. Weak regulatory accounting framework, variability in understanding and interpreting standards

In addition to the slowness of the accounting regulations adds its ambiguity. The interviews also revealed that it is ambiguous and unclear on certain aspects and insufficient for efficient implementation of SCF. According to those surveyed, the inadequate and lack of clarity and consistency has resulted variability of understanding and interpretation of the standards by preparers of financial statements and made their application more difficult and problematic. They believe that only general principles were provided for the treatment of some transactions and raise a lack of implementing rules for employee benefits; deferred taxes; fair value; impairment tests...etc.

"Unfortunately, there is lack of implementing legislation, there is a law that was promulgated but there was not follow-up by the CNC. Normally, every year or every month; there are many chapters in the law to open (...). The interpretation of the law is different from one company to another or from a particular industry to another; for people of the port; they work in the same way, persons of cement also, persons of wood work in the same way, for us; we would have liked it to be uniform at all companies in all sectors. An evaluation of an asset, a building for example; must be done in an identical manner, or the building in the port or in cement or in a wood factory is completely different." E1

The same interviewee has to explain this situation argues as follows: "Because there are no implementing regulations, we can understand the law as we want, there are areas where it is too vast, it's just the general principles, and they still lack circulars or implementing rules." E1

"There is a lack of clarity in the SCF. It is outline, it is chapters but it must eventually go into detail, for each chapter we can have several cases, then we turn, turn and we come back to the general principle to settle." E4

The persons interviewed develop the passive role of the Algerian CNC and the absence of sufficient efforts on the clarification of the modes of enforcement of certain provisions of the law which remain to date to seek. These "grey areas" did not allow them to interpret correctly and consistently all the provisions of the law. The complex nature of the standards has not escaped to the revelations of respondents. They are considered (the standards) to be very difficult because of their "innovative" character which results in an unprecedented situation, and due to their principles called by certain as "philosophical". Others employ the terms: broad principles, general, vague, lacking rules, which lack practical...

In our view, the variability of understanding and interpretation stated previously is also due to the nature of the standards. Derived from IFRS recognized as principles based standards, the SCF standards are not detailed and many situations may arise for the same transaction. The need expressed by these persons for more implementing rules explains the Algerian tradition based on detailed and prescriptive rules, which is a dominant feature of Algerian accounting system. This preference for detailed regulations rather than general principles with freedom of interpretation is nothing that a persistent footprint of decades of using a rules-based accounting (the PCN). Accounting regulations has long been the only practical guide for practitioners (accountants). Today, they will move to a situation that requires interpretation when recording depending on circumstances that may differ in time for the same transaction.

3.3. Lack of training and accounting education

The accounting "profession", to the extent that one exists, has had a low status in Algeria. Accountants are still viewed as bookkeepers or, at best, technicians not decision-makers. The number of qualified accountants is low (by comparison to both Morocco and Tunisia) resulting in a shortage of local accountant at the professional level. The accounting education and training is rather insufficient (Merrouche, 2005, p.42). Accountants and trainers sufficiently trained and familiars with SCF or IFRS were presented as major difficulties. The use of recruitment was not the ideal solution for companies because it was difficult to find

those able to provide added value. It is estimated that all stakeholders whether accountants, auditors or experts are in the same level.

"The SCF has put everyone back to zero: accountants, auditors, experts have all become at the same level (...), they cannot teach us anything, (...) we were all at zero with the SCF, and it's something new." E5

"Even for the auditors it is new. They did their training with us, every time they ask us questions and they try to understand because the change has come at one stroke, so they cannot, they do not have the resources or skills. They did their update with us. Initially, in 2010; when they came to audit the passage, they do not even know where the errors to be detected." E3

It also raised the lack of textbooks on the new standards which has led some to a personal effort either by using the internet or taking legal texts as the only reference. It is also regrettable that the IAS/IFRS will not be integrated into the educational programs in universities before the transition to the SCF.

"There is a huge lack of trainers, personally, for me this is just a debate that we do, it is a complementary, we valid together. They hired some trainers who have the same level that we have or not even once. There are trainers who have trained themselves with the documentation and with internet (...) it had the document "SCF Project", it is with that we learned there are no schools." E2

"Regarding the content of the training, I sincerely tell you that people do not yet know the new Algerian SCF so what we have done? We took the law and we tried to explain the law, but for practice there is no." E1

The cost of implementation of SCF is surprisingly seen in the three large companies as mean, yet the transition to IFRS has been very expensive in other countries. This fact has the explanation, the fact that companies have little invested in training as does argue this Financial Accounting Director: *"I think it is not at all high compared to the ports, we do not really invest a lot in training. Although we were trained, there is still a lack in training." E1*

The respondents argued that the training sessions have lasted on average a month and have not had a continuing character. In other words, these training were made only for the first application since companies were required to do so.

"When we trained someone, we did not train him only the first year. We were trained during the implementation of the SCF and after that, once it implemented; training was forgotten, that is our problem in Algeria. It was an obligation; management was required to train people and then when it was implemented, we do not train people, that is the biggest problem; while for the mastery, it had to be continuously, ongoing training." E1

The short period of training coupled with the size of changes made by the SCF, have not allowed individuals to its total mastery without further advanced training. Thus, the same persons do not hesitate to feel this need, and one of them has underlined that he has procured training with its own means when he found him unable to all understand and master. The population which was covered by these courses of training constituted also another problem. Restricted only to "accountants and financials", the implementation of standards was problematic and source of resistance to change for non-accountant's actors who are supposed to strongly engage and collaborate with accountants for a good application of certain standards, such as those related to employee benefits, the approach by component of assets...etc.

"We trained precisely only the accountants and financials, we did not train others. Because if you do not train one that will give you the information or the decomposition; if you do not train one that will give you fair value, it will be very difficult. It (training) was purely specific to us "financials and accountants", which had the consequence, that, others do not follow easily, that is to say, you should really push them to work. They do not really adhere to the system. To date, it is not yet the case; they are people who not mastered this system at the enterprise level." E1

The results of the interviews in this case, meet the written of Guiot (2004, p.24) who said about the implementation of IAS/IFRS in German companies that: *"it (the implementation) does not only affect the accounting field. All functions of the companies are concerned, in order to collect relevant information for the preparation of financial statements: the IT specialists to adapt the configuration of software, commercials to note the date of acceptance of the property by the client (revenue recognition), jurists to valid the contract terms, production managers to identify the components of fixed assets, the researchers to determine the passage from the research phase to the development phase of the product, human resource managers to identify all the benefits (current and future), and so on."* The involvement of all these actors is crucial to the successful implementation of the new system. Accountants are resisting the change especially the older ones and non-accountants (human resource division, top management, production managers...etc) not accustomed to collaborate for the preparation of the financial statements as evidenced by these excerpts: *"There were two types of staff, the staff who were retired and the young staff. So, there were two behaviors: the persons who were ready to retire (...) did not have the capacity; they were not enthusiastic about resuming their university or professional course, their base was the PCN so, they were not ready to go for training, they refused to follow this process and they retired, while the young were in the obligation to follow training and learn."* E1

"We do not usually ask Human Resource to give us such elements on leave to pay, on retirement benefits...etc, to be able to recognize provisions. We do not usually require users of fixed assets to determine the useful life to be able to record depreciation. So, with the application of this system all these actors must intervene to the effective implementation of SCF. As soon as we ask these actors to give us the necessary information, they begin to ask: how is it done? It's 2 or 3 years away, since we are in the company, we were never asked us this kind of information, from the application of this new system; we are asked to intervene indirectly." E9

3.4. Users of accounting information and strong influence of tax rules

We also interviewed these persons on the main users of the financial statements of their companies and the majority of them list the tax in first (9/12). This result is also in line with what has been said by professional accountants, as do argue those below: *"We see accounting only in the point of view of taxation. For all, accounting is done only to determine taxable income and meet the requirement of keeping the tax return. So, this conception does not allow the application of the new SCF which aims to make available to users and in particular, fund providers, information of quality for decision making."* E9

"For the private sector, if there were no tax administration, it will have no accounting." E6

The target user of accounting information remains the tax authorities. The introduction of the SCF was born differences between tax and accounting law. All interviewed highlighted the problem between the accounting and tax rules (12/12).

A general principle was established by the Code des Impôts Directs et Taxes Assimilées CIDTA (nouvel articles 141 ter) and the complementary Finance Act for 2009 (Article 6 de la loi de finance complémentaire de 2009), which states: *"companies must comply with the definitions enacted by the Financial Accounting System, on condition that these do not conflict with the tax rules applicable to the taxable base."* This principle is based on the non-application of accounting rules *"incompatible with tax rules"*. However, this notion of incompatibility with the applicable tax rules to the taxable base is likely to open the way to the interpretation devoting the principle of non-application of accounting rules which is expressly contrary to a provision of the tax law. According to Sadi (2012, p.21), this tax provision could call into question the accounting choices rising from the new rules introduced by SCF, it is the case in particular of: (1) the true and fair view notion which permits derogation from the rule of law if it does not tend towards a faithful representation of transactions; (2) the criterion of *"significance"* which may exclude from the perimeter of the accounting rules non-significant transactions; and (3) the principle of *"substance over form"* and the notion of *"fair value"* which result from

this, devoting an opening towards an economic approach from the financial statements which may be in contradiction with the tax rules.

We sought to understand which reaction the companies adopt following these divergences. The persons questioned made clear that they were aligned with tax rules; they take into account only the operations that are supported by taxation. The argument provides remains the famous article 6 of the Complementary Finance Act of 2009. The way in which the financial statements are prepared is influenced by this privileged user who exerts pressures acting as coercive force. This attitude of status quo of companies or accountants is reinforced by the tax authorities themselves which, despite some efforts on the harmonization of tax rules with the new accounting rules, show little concern of financial statement prepared in accordance with SCF. The remarks of this interviewed illustrate well this attitude: *"We have a problem with the tax. (...) International standards say it is the tax that follows the accounting, why? Because accounting proceeds by economic benefits and tax authorities must follow in the sense where they do not make penalties, they do not say to you that: "you are in the process of fraud". But with the SCF, it is not the case, the tax department always says to us: "you should follow me", they do not seek to understand, and there are neither economic benefits nor nothing; you must follow them (...), the principle of the tax department is the collection of money. For him, do not touch the money."* E5

Behind the coercive pressures of the controllers of the tax department who, according to the accountants come only to penalize them, they prefer to conform to the tax requirements. They are focused on conformity with tax rules and little attention is carried to the quality of accounting information. The infraction of tax rules is sanctioned by the public authority (tax authorities) as specified it this person interviewed and, by fear of seeing their expenses no allowed in deduction, these companies do not hesitate to choose to align them on taxation and deviate largely from the economic resonance of the SCF, which consequently; harms to the quality of accounting information. This "conservative" behavior that adopts companies as a precautionary measure is one of the features of the existing Algerian accounting culture that continues to persist to the detriment of a fair presentation.

"The problem that exists at the SCF is the tax; the taxation, because there are a lot of sections: deferred taxes; impairment, the retirement provisions...etc, for which we wants to know if they are deductible expenses or not, because they have a direct impact on taxation; because why accountants make accounting in general; the Algerian accountant in particular, it is for the tax authorities, the vertigo that takes us is the taxation but internationally is not the case, the accountant works for something else (...). Taxation is not in conformity with the spirit of SCF, that's why we ask the question if we will apply or not, there are really few things that conform, so, until now there are elements which we enter with the tax department." E2

The best reaction would be one that takes into account the SCF principles to reflect the economic substance of the transactions and give the fairest view of the economic situation of the company and use, in year's end, some extra accounting works to establish the tax balance sheet and use the deferred tax for the gaps, but this is not the case in business corporations: *"The fair view that should give the financial statements remains chimerical. Accounting remains slave of taxation. Instead of recording all operations with the new concept and treat in extra accounting the tax implications to save the tax burden, accountants continue to consider only those operations that are accepted by the tax authorities. The accounting result is similar to taxable income. Deferred tax is just included in the chart of accounts. The added value is not for Algeria; we must abandon it."* E8

"Company to prepare its financial statements must do it independently of taxation, I cite the example of the vehicle: the vehicle of the general director of the company who leads him the morning and return him at home in the afternoon, and the commercial vehicle that is all day return journey for distribution or delivery. The latter, for accounting I amortized it over two years or three years since it will depreciate fast and the one of the general director I amortized it over 10 or 12 years, and then, at year end to determine the tax return; then you take the vehicle to which i applied a duration of 10 or

12 years and the tax law told me about 5 years, I just reinstates the depreciation out the 5 years and the other I guard them as they are, it is what called the reinstatements, and the second vehicle I deduct the difference (i.e. deductions), that's why I say that taxation is independent of accounting." E7

These evidences affirm the impact of taxation on accounting choice. The close link between accounting and taxation led them to make these arbitrations seeking compromises that are in line with tax requirements. This preference for a fiscal orientation experienced by the latter represents a handicap for the implementation of SCF standards and harmonization with international standards. The innovations introduced by the SCF in this case are questioned and lose their meaning in particular the notion of fair view, the substance over form principle and fair value. The goal to get closer to IAS/IFRS sought by the reform leaves something to be desired. Within the meaning of Vellam (2004), a real "convergence" with IFRS cannot be done only by a de jure harmonization (which is made by Algeria through the development of SCF based on IFRS), but when there is a reorientation of fact (de facto) to develop a relevant and transparent financial information to users.

The reluctance of the tax administration to align itself with most of the SCF principles seems explained by the fear of this one to lose its controlling power of the tax result. The case of leasing is a perfect illustration of his reluctance. After being accepted in the Finance Act of 2010, another provision in the supplementary Finance Act of 2010 pushes its support to the January 1st, 2013; reflecting the temporary rejection of the principle of economic ownership of the property, and finally the Finance Act of 2014 changed that by introducing a new section that maintaining the tax treatment of Leasing operations as applied before the intervention of the SCF, which always causes a divergence between the accounting and tax treatment.

SCF, as in the case of IFRS, provides opportunities for accounting policy choices or more precisely accounting options highlighting a reference treatment and other authorized. By identifying these options and seeking those used by companies, we realized that those chosen are those who arrange them. If the international standards setter has incorporated these possibilities of choice is to choose those that best reflect the reality and that allows to present a true and fair view of the situation of the company. However, we found that not all Algerian companies making so. This is the case of this large private company which clearly stressed that only two aspects determine its accounting choices: *"It is necessary to see to the tax and the financial side, that's what prevail in our accounting choices. When there are several methods to be chosen, we look first at the cash and taxation, because someone who is not competent enough on taxation, can really bring you towards the chaos. I give you an example: I have a fixed asset (immobilization) and I have forwarding costs, the SCF give you the power for two paths: either you add them to the cost of the machine so that the expense becomes an investment amortization; you will spread it over several years, but on the other hand, if I pass it in expenses I consume the expense on a single exercise. Here, we look if we have a great result I pass it as expenses to decrease my tax, but if I have a result that is not large enough it will worsen the situation." E2*

3.5. Others problems:

Analysis of the first financial statements of the 3 large companies where we conducted interviews revealed a numbers of remarks. We observed a resistance to fair value and a reproduction of the past practices (depreciation method; the application of tax depreciation rates, borrowings costs and those of research and development are entered in expenses, and presentation of financial statement). None of the companies have resorted to the use of fair value. It is argued in this sense the absence of active markets to obtain fair value. Ignorance and uncertainty of its impact on the financial statements and on tax matters have been advanced as other causes of non-application. A total consensus has built around this major obstacle "the market". In no interview this market problem was spared. One speaks about a financial market almost inactive and others markets of tangible and intangible assets non-existent or informal. According to the interviewees, SCF or IAS/IFRS that it embraces are intended or have been created to address the concerns of a market economy with

an active market, an absent State or little planned a situation that is far from resembling to that of Algeria. Except that it is in transition to a market economy, the State remains the sole regulator; the Algerian financial market is still not able to participate in financing the economy since it is not even active, which makes impossible the application of some principles of SCF as the fair value: *"There is no financial market in Algeria to have the value of a good at any time. A regulated market should be put then it is necessary to be aligned with taxation, if there is for example, a good that I want to revalue to its current fair value, the tax department says me you have to stay with the historical cost but for your management makes as you want, because themselves are outdated. Us, we can bring an expert who can tell us: this thing cost 10 or 20 million dinars, them (tax department) do not have the reference to control because this expert if I put myself in agreement with him to increase my asset, it can do it and the tax authorities cannot control it."* E1

It should be noted that the phenomenon of corruption was raised by our interviewees as a generator factor of accounting manipulations as long as the opinion of the evaluators may be influenced by the management of the company. They express that they can easily influence the experts of evaluation to change the value of the asset if they want, that's why the tax administration is reluctant to fair value, in order to not lose control on taxable income.

The actors often use the argument: "no one can apply these standards" to justify noncompliance, which results in a slow implementation process of SCF. It was also raised another issue which concerns the corporate culture. The implementation of the standards was seen as a matter of the accounting and financial department where others have nothing to say or to do. The leaders were very little awareness to actively participate, let alone in imposing a change outside the accounting department. This can be explained by the general perception that has always existed in Algerian companies regarding accounting. It (accounting) has always appeared to them as a "debit-credit" matter and thus a matter of the accountant as expressed by this auditor: *"We consider that accounting is the concern of accountant whereas normally, it is all stakeholders within the company which must be involved in the preparation of financial statements, mainly the first leader of the company that is chairman or general director, the bodies of management i.e. the Board of Directors or the General Assemblies, the staff in general."* E8

5. CONCLUSION

In this study, we tried to analyze the implementation of the new SCF. We also assessed the problems encountered in its implementation. Thus, some conclusions can be drawn. The problems related to the implementation of the new SCF identified in our study are: Resistance to change, inactive accounting profession, lack of investment in education, low quality of educators, lack of accounting and legal infrastructures and lower levels of transparency. In addition, the strong influence of tax is the major one, especially in private sector. A status quo of business accounting practices and behaviors of accountants is mainly due to the incentives resulting from the strong link between accounting and taxation. The preparation of the transition was very insufficient and hasty particularly in its "training" component; and the commitment of significant resources to raise awareness and "educate" the staff to the effects of changes induced by the new system was limited. Therefore, the complexities were not well anticipated and transition work was done in haste with sole purpose to meet regulatory requirements and have taken a very technical look. The most striking fact in this transition is the transition to a judgment accounting. The obstacle to the achievement of de facto harmonization lies in the Algerian cultural context. Attachment of accountants to detailed accounting rules has made them technicians of accounting. The only guide to their work was either the law or the nomenclature of accounts without any effort of interpretation or judgment which places them today faces a huge challenge and enormous difficulty of adaptation to a new so-called principles based accounting, what

explains the revealed preference for more application rules. In addition, accounting in Algeria has always had as its central objective the need to determine the income as a basis for taxation. This persistent reality especially in the private sector does not allow achieving the objectives sought by the reform. Minimizing the tax burden as reasoning for accountants and businesses corporations do not allow recording of transactions to their economic reality.

The divergences with the tax rules caused due to the introduction of new accounting rules was born a trend towards applying the tax rules whenever the latter derogate from the accounting rules (especially when it provides a benefit to the entity), which deviated the reform from its goal of fair view and transparency. Companies also, raised the complex issue of the application of SCF which involve a stronger collaboration between accountants and others actors (Human Resources, supply, technical, management controller...). The lack of a stronger teamwork between accounting and other functions was raised. Some standards are considered very complex to implement and often dependent on market conditions, which the market does not exist or is not active enough to be a reference. Others standards are based on the personal and professional judgment; a new skill that Algerian accountants have trouble to acquire further to the practice of mechanical accounting for more than 34 years.

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