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+Challenges of Implementing the International Financial Reporting Standard for Small and Medium-Sized Entities (IFRS for SMEs) within the Start-up Ecosystem in Algeria: A Comparative Analytical Study in Light of International Experiences

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Summary: This article analyzes the challenges associated with the potential implementation of the International Financial Reporting Standard for Small and Medium-Sized Entities (IFRS for SMEs) within the Algerian start-up environment—a context characterized by recent emergence, heavy reliance on digital innovation, and operational volatility. The study is guided by a central research question: To what extent can IFRS for SMEs be adapted and applied to Algerian start-ups, and what factors hinder or support its adoption within the national accounting system (SCF)?. To address this question, the article examines the conceptual framework and accounting specificities of start-ups, then assesses the compatibility of the Algerian accounting system with international requirements. It further compares the Algerian experience with successful international cases to draw relevant lessons. The findings indicate that implementation faces several institutional, professional, and digital challenges, most notably the absence of a clear legal framework, limited accounting expertise, and insufficient digital tools for financial disclosure. Conversely, the standard offers significant opportunities to enhance financial reporting quality and investor confidence. The article concludes by emphasizing the need for a gradual and flexible approach to adapting IFRS for SMEs to the specific needs of start-ups to support Algeria's knowledge-based economy.

Keywords: Start-ups; Small and Medium-Sized Entities; Algerian Accounting System (SCF); Accounting Challenges; Financial Disclosure.

Jel Classification Codes : M41; M13; L26.

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I. Introduction :

Start-ups have emerged as pivotal economic actors amidst the technological and digital transformations of the global economy. They represent primary drivers for sustainable economic growth, job creation, and innovation. However, these entities face significant accounting and disclosure challenges due to their novelty, weak organizational structures, and volatile operating environments, necessitating a simplified and unified accounting framework to ensure transparency and credibility.

In this context, the International Accounting Standards Board (IASB) issued the "IFRS for SMEs" in 2009 to provide a tailored framework for small, medium, and start-up entities. This standard aims to simplify accounting principles and reduce complex alternatives found in full IFRS, thereby improving reporting quality and facilitating access to finance and investment. Nevertheless, adoption in developing and Arab countries, particularly Algeria, remains limited despite academic and institutional efforts. The Algerian Financial Accounting System (SCF), implemented in 2010, continues to rely on full IFRS principles without effectively integrating the SME-specific standard. With the rise of Algerian start-ups following Executive Decree No. 20-254 of 2020, there is an urgent need to study the feasibility of adapting IFRS for SMEs to this new class of enterprises.

❖ **Research Problem:**

To what extent can IFRS for SMEs be implemented in the Algerian start-up environment? What are the challenges and factors influencing its adaptation to the national Financial Accounting System (SCF)?.

❖ **Research Hypotheses:**

- The national accounting framework lacks the necessary regulatory adaptation for IFRS for SMEs due to the absence of clear legal texts.
- Algerian start-ups face professional and technical obstacles, primarily a lack of accounting expertise and limited reliance on modern accounting information systems.
- Successful international experiences (e.g., South Africa and Malaysia) can provide a guided model for gradual adoption in Algeria, provided institutional and training frameworks are developed.

❖ **Study Objectives:**

- Analyze the conceptual and normative framework of start-ups relative to IFRS.
- Assess the alignment of the Algerian SCF with IFRS for SMEs.
- Analyze international experiences to draw lessons for the Algerian context.
- Identify practical challenges and propose mechanisms for adapting the standard to the local environment.

❖ **Research Methodology:**

- The study adopts a comparative descriptive-analytical approach, incorporating:
- Descriptive analysis of theoretical frameworks.
- Comparative analysis between Algeria and international cases (South Africa, Malaysia, and the UK).
- Interpretive analysis of official data from IASB, World Bank, OECD, and the Algerian Ministry of Knowledge Economy.
- Critical analysis of challenges and proposed practical solutions.

I.1. Theoretical Literature and Previous Studies :

I.1.1. Overview of Previous Studies

The provided literature explores the accounting challenges of SMEs and start-ups, specifically regarding the adoption of the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs).

Table 01 : Overview of Previous Studies

Study / Author(s)	Context & Focus	Key Findings & Recommendations
Azzedine & Tegrat	Algerian Start-ups (Yassir)	Start-ups struggle to value intangible assets; lacks a clear accounting framework suited for innovation.
Latrash Farid	SCF vs. IFRS for SMEs (Algeria)	SCF treatments are often unsuitable for SMEs; IFRS offers simplifications. SCF needs fundamental amendments.

Halilou & Hussein	IFRS for SMEs in Algeria	IFRS enhances transparency. Recommends a national strategy and intensified professional training.
Cherchafa Elias	Suitability of IFRS (Algeria)	IFRS improves data quality at a lower cost, but faces internal (lack of training) and external (legal) obstacles.
Atteia Khadija	Adoption feasibility (Algeria)	Firm size/leverage do not impact adoption. Recommends updating the SCF to align with IFRS.
Jellab & Laribi	Adapting SCF to IFRS	SMEs need a dedicated system. Recommends flexible standard adoption without rigid legal texts.
Mech & Ait Mohamed	Applicability in Algeria	Standard implementation requires appropriate economic, regulatory, financial, and tax reforms.
Jain & Gandhi	India vs. IFRS (Fixed Assets)	Found 51.52% similarity. Full adoption requires qualified human resources and a reinforced accounting culture.
Kesseven Padachi	Mauritius Manufacturing SMEs	Firms maintain basic records for compliance only. Emphasizes the need to promote accounting awareness.
Kilic Merve et al.	Turkish Accountants (2014)	Moderate knowledge of IFRS. Higher standard knowledge correlates with a faster expected implementation time.
H. Bohusova	EU / Czech Republic (2010)	Local systems are inadequate. Proposed a 3-tier reporting system (Full IFRS, IFRS for SMEs, Local GAAP for micro-entities).

Source: International Financial Reporting Standard for (IFRS for SMEs).

I.1.2. . Literature Evaluation: Similarities and Limitations

- **Common Ground:** Prior research broadly agrees that adopting IFRS for SMEs improves financial transparency and addresses the inadequacies of local systems. Most studies identify persistent gaps in measurement and disclosure, alongside barriers like weak professional competencies and lack of training.
- **Methodological & Thematic Limitations:** * The existing literature is predominantly descriptive and diagnostic, lacking deep explanatory analysis of why adoption barriers persist.
  - Studies focus almost exclusively on traditional SMEs, ignoring the realities of modern, digital-economy start-ups.
  - Several studies suffer from methodological flaws, such as relying on narrow regional samples (Latrash, Cherchafa), leaving statistical anomalies unexamined (Atteia), conflating standard awareness with implementation readiness (Halilou & Hussein), or proposing frameworks incompatible with Algeria's regulatory environment (Bohusova).

I.1.3. The Current Study: Research Gap and Contribution

- **Research Gap:** There is a distinct lack of integrated analysis regarding the suitability of IFRS for SMEs for digital-economy start-ups, which possess unique traits like high risk and heavy reliance on intangible assets.
- **Novel Approach:** This study shifts the focus to start-ups rather than traditional SMEs. It integrates post-2020 Algerian legislative developments and employs a multi-country comparative approach to link accounting frameworks with innovation-oriented economic policies.
- **Practical Contribution:** Moving beyond basic diagnosis, this research provides actionable, practical recommendations to tailor the national accounting system to the specific, dynamic needs of start-ups, delivering both academic depth and practical value.

I.1. Conceptual Framework for Start-ups and the International Standard

First: Start-ups

- **Concept & Definitions:** Start-ups are modern entities tied to the knowledge economy, aiming for rapid growth through innovation. The concept is defined variously across dictionaries and scholars as a small, high-risk business in its early stages heavily reliant on innovation and external financing (Boulgouas & Boukhira, 2022; Mechri, 2023; Ben Lakhdar et al., 2020). Eric Ries (2011) defines it as an institution operating under extreme uncertainty, while Steve Blank views it as a temporary search for a scalable business model (Hussein & Seddiki, 2021). Patrick Fridenson emphasizes technological dependence over age or size (Bouachaour, 2018). Legally, Algeria's Executive Decree 20-254 defines a start-up as an innovative enterprise under 8 years old, with fewer than 250 employees, and at least 50% owned by natural persons or investment funds (Executive Decree 20-254).
- **Characteristics:** Start-ups differ from traditional entities through specific traits: novelty (Mafroum, 2020), a temporary and independent nature (Mekhnacha Amna, 2021),

technological reliance (Farhat et al., 2024), core innovation (Ben Lakhdar et al., 2020), low operational costs (Salima Nechnach, 2022), and scalability (Bouachaour, 2018).

- **Economic and Social Importance:** They are vital for economic diversification by creating jobs and enhancing competitiveness (Kamal Bayazid, 2022), stimulating local economies (Mechri Mohamed El-Nasser, 2023), encouraging entrepreneurship (Ramdani & Bouguera, 2020), and attracting foreign investment (Bouabdallah & Ben Ghalem, 2024). According to World Bank reports (2022), start-ups drive over 60% of new projects and 40% of digital economy jobs in certain nations.
- **Life Cycle:** Based on Paul Graham's model, the life cycle includes six stages: Idea Generation, Launch (MVP), Growth, Decline, Repositioning, and Maturity (Bouachaour, 2018).

Table 02: Key Differences Between SMEs and Start-ups

Feature	Start-ups	SMEs
Objective	Testing innovation; rapid growth	Stability and profitability
Risk / Financing	Extremely high / Venture Capital	Limited / Bank loans or self-financing
Organization	Flexible, non-traditional	Traditional hierarchical structure
Business Model	Highly variable early on	Relatively fixed and stable
Innovation	Core and fundamental	Secondary element

Source: Bakhiti Ali, 2020

Second: The International Financial Reporting Standard for SMEs (IFRS for SMEs)

- **Origin & Development:** Initiated in the 1970s and fully developed by the IASB in July 2009, this standard provides a simplified, flexible accounting framework (Atteia & Kaddouri, 2018). It undergoes periodic reviews (2015–2023) to adapt to global shifts while maintaining simplicity (Azzawi & Mahawa, 2012).
- **Concept & Objectives:** It targets entities without direct public accountability. It is highly suitable for start-ups, offering the flexibility needed to secure financing and build investor trust without the burden of "Full IFRS" (Marwa Idris Abdullah Arhouma, 2024; Bakhiti Ali, 2020). Its main objectives are to simplify procedures (Michel Said Sweidan et al., 2018), enhance the reliability of financial reporting (Halilou & Hussein, 2022), and facilitate future transitions to Full IFRS (Marwa Idris Abdullah Arhouma, 2024).
- **Content & Scope:** The standard comprises 35 sections detailing recognition, measurement, and disclosure for general-purpose financial statements intended for external users (Latrash Farid, 2016). It strictly excludes entities with public accountability.

Table 03: Accounting Measurement under IFRS for SMEs

Item	Measurement Method
Fixed / Intangible Assets	Cost less accumulated depreciation/amortization and impairment.
Investment Property	Fair value (if reliably measurable); otherwise at cost.
Inventories	Lower of cost and Net Realizable Value.
Revenue / Expenses	Accrual basis; recognized when benefits flow/are consumed.

Source: Cherchafa Elias, 2013

- **Simplifications Compared to Full IFRS:** To accommodate entities with limited resources, the standard omits complex, irrelevant topics like earnings per share (Mech Fouzia, 2021), removes alternative accounting treatments for consistency (Michel Said Sweidan et al., 2018), reduces disclosures by over 80%, and simplifies R&D accounting by allowing costs to be treated as direct expenses.

II. Methodology and Data:

II.1. Research Approach The study employs an applied comparative-analytical approach that integrates the following:

- Documentary Analysis: Reviewing official national and international documents and reports.
- Semi-Structured Professional Interviews: Conducting interviews with six key stakeholders, including accounting consultants, auditors, academic professors, and start-up founders.

Interview Sample Selection and Composition. The six interviewees were selected through purposive (criterion-based) sampling, guided by three criteria: (i) direct professional engagement with start-up accounting or auditing in Algeria; (ii) familiarity with IFRS or IFRS for SMEs, whether through practice, teaching, or research; and (iii) sectoral diversity, ensuring representation across FinTech, platform-based businesses, and green-tech start-ups. The final panel comprised

two certified public accountants with start-up clients, one statutory auditor affiliated with ONECCA, one academic researcher specializing in SME accounting, and two founders of labelled Algerian start-ups who also held financial oversight responsibilities within their firms.

Interview Structure. Each interview followed a semi-structured guide organized around four thematic axes: (1) current accounting practices and the degree of alignment with the SCF; (2) awareness of and attitudes toward IFRS for SMEs, including perceived benefits and obstacles; (3) the role of digital tools in financial reporting; and (4) perceptions of institutional readiness and desired regulatory reforms. Interviews lasted between 45 and 75 minutes, were conducted in Arabic or French according to participant preference, and were recorded with consent. The guide was pre-tested with one pilot respondent and refined before the main data collection phase.

Qualitative Data Analysis. Interview transcripts were analysed using thematic content analysis following the framework proposed by Braun and Clarke (2006). The process involved six iterative steps: familiarization with the data, generation of initial codes, identification of candidate themes, review and refinement of themes, definition and naming of final themes, and production of the analytical report. Coding was conducted manually, with a secondary coder independently reviewing a 30% subset of transcripts to assess reliability; intercoder agreement reached 84%, indicating satisfactory consistency. The four emergent thematic categories (normative gap, professional deficit, digital fragility, and disclosure culture) are reported in Sections III and IV below and are triangulated against documentary evidence and quantitative field data to enhance validity.

- **Quantitative and Qualitative Field Analysis:** Examining data from 15 Algerian start-ups.
- International Benchmarking: Comparing the Algerian context with the experiences of Malaysia and South Africa, while drawing insights from existing research on Turkey, India, and the European Union.

II.2. Primary Documentary Sources:

Table 04: Primary Documentary Sources

Entity / Source	Document	Year	Data Type
Ministry of Knowledge Economy and Start-ups	National Report on Startups in Algeria	2024	Number of start-ups, sectoral distribution, and digitalization levels.
Agency/Ministry (Innovation Reports)	Report on the Innovation Ecosystem	2022	Data on accounting and digital training in start-ups.
IFRS Foundation	IFRS for SMEs – Official Website + Adoption Papers	2023–2025	Global adoption status and the 2025 Third Edition.
World Bank	ROSC – Accounting & Auditing	2021	Indicators of financial reporting quality in Africa.
OECD	SME and Entrepreneurship Outlook	2022	Comparison of SME environments in selected countries.
Algerian Articles & Studies (ASJP)	On accounting disclosure and adoption of IFRS / IFRS for SMEs	2020–2024	Professional attitudes and institutional readiness levels.
LaunchBase Africa	Inside Algeria's Startup Labelling System	2024	Number of "Startup" labeled entities + incentive policies.

Source: IFRS Foundation - Use of IFRS Standards by Jurisdiction

Note: The IFRS for SMEs Third Edition (2025) has been utilized as the normative benchmark for analysis, supported by documents issued by the IASB and summaries from professional firms such as BDO, PwC, EY, and Deloitte.

❖ **Second: Legislative, Regulatory, and Accounting Framework in Algeria**

. The Financial Accounting System (SCF) and the Position of IFRS for SMEs

The Financial Accounting System (SCF) was established by Executive Decree No. 07-102 on March 26, 2007, replacing the National Accounting Plan (PCN), and came into effect in 2010. The SCF was primarily designed as an adaptation of Full IFRS; however, it did not include any specific sections or articles dedicated to the IFRS for SMEs (Official Website of the General Secretariat of the Government – Official Gazettes).

On an international level, IFRS Foundation documents indicate that the IFRS for SMEs standard is required or permitted in over 80 jurisdictions globally. Meanwhile, certain countries—including

Algeria—are classified under the category "Under Consideration," meaning the standard has not been officially adopted, but the possibility of its partial or full adoption is currently being studied.
This implies that:
Algeria relies on a national framework (SCF) derived from Full IFRS.
However, it has yet to establish a parallel reference for Small and Medium-sized Enterprises and Start-ups (similar to IFRS for SMEs or an equivalent national standard).

. The New Institutional Framework for Start-ups

Executive Decree No. 20-254, dated September 15, 2020, introduced a specialized legal framework by establishing the National Committee for granting labels: "Start-up," "Innovative Project," and "Business Incubator," based on criteria related to the company's age, innovation, turnover, and employee count.

The Startup.dz portal, under the Ministry of Knowledge Economy, has become the official platform for obtaining and renewing these labels, which are linked to fiscal and financing incentives provided by the Algerian Startup Fund (ASF). According to a statement by the Minister of Knowledge Economy and Start-ups, Yacine El-Mahdi Oualid, on July 18, 2024, the number of officially labeled entities reached over 2,300 start-ups within four years of the system's launch (Source: Algerian National Television).

This development indicates that the segment targeted by IFRS for SMEs is no longer marginal; it has become a "critical mass" necessitating a specialized accounting framework, especially since most of these enterprises operate in digital sectors and deal extensively with intangible assets.

. The Gap Between Institutional and Accounting Reforms

While the legal framework supporting start-ups has evolved (the Ministry, Decree 20-254, the Public Fund, and the Startup.dz portal), the SCF remains in its original form without substantive updates to accommodate:

- The specific nature and unique requirements of start-ups.
- Recent developments in IFRS for SMEs (Third Edition, 2025).
- Consequently, a clear Regulatory Gap exists between:
- The dynamic nature of the knowledge economy.
- The rigidity of existing accounting regulations.

III. The Institutional and Professional Environment in Algeria:

III.1. The Institutional and Accounting Environment: Dominance of Tax Logic

National reports on the innovation ecosystem, as well as studies published in Algerian journals (ASJP), indicate that the majority of small and start-up enterprises treat accounting as a tax compliance function rather than a tool for measuring performance and value. Key observations include:

- Extensive reliance on external accounting firms without building integrated internal accounting information systems.
- Limited financial disclosure directed at investors, compared to a heavy focus on tax declarations.
- Restricted use of advanced accounting software and cloud solutions, particularly outside major cities.

III.2. Perspectives of Professionals and Academics

Algerian studies (2020–2024) regarding the suitability of IFRS for SMEs for the national environment reveal the following (ASJP, IFAC):

- Broad theoretical acceptance of the idea of adopting IFRS for SMEs to enhance transparency and comparability.

Practical reservations due to:

- Lack of specialized training.
- Ambiguity in the legal status.
- Absence of a national body to interpret international standards.

A growing realization that the nature of start-ups (focusing on software, digital platforms, and intellectual property) requires a framework more suitable than the current SCF.

The report by the International Federation of Accountants (IFAC) on the National Organization of Chartered Accountants in Algeria (ONECCA) highlights the need to:

- Promote the use of international standards.
- Align professional education programs with the global trend toward IFRS and IFRS for SMEs.
- From the perspective of New Institutional Theory, the slow pace of normative transformation in Algeria can be explained by the weakness of the coercive (legal) and normative (professional) pressures necessary to unify practice.

III.3. Field Analysis of the Start-up Sample:

III.3.1. Sample Characteristics and Selection

A sample of 15 Algerian start-ups was purposively selected from entities that have officially obtained the "Startup" label or are ranked among the top start-ups in Algeria. The selection process relied on the Startup.dz database, innovation ecosystem reports, rankings from international platforms such as StartupBlink, and specialized journalistic articles.

Table 5: List of Studied Start-ups and their Main Activity Sectors

No.	Start-up Name	Main Sector	Source of Identification
1	**Yassir**	Super App (Transport, Delivery, Financial Services)	StartupBlink – Top Startups Algeria
2	**TemTem**	Smart Transport and Delivery Services	StartupBlink
3	**Fatoura (Brainiac)**	Digital Invoicing and Cloud Accounting Solutions	StartupBlink
4	**GO Platform**	HR-Tech and Smart Recruitment Platforms	StartupBlink + TSA
5	**UbexPay**	FinTech (Electronic Payment Solutions)	StartupBlink
6	**TalabaStore Prime**	E-commerce (Student-oriented)	StartupBlink
7	**Opticharge**	EV Charging Solutions (CleanTech)	StartupBlink
8	**Zawwali**	E-commerce Platform and Digital Services	StartupBlink
9	**Techmology**	Digital Services and Corporate Solutions	StartupBlink
10	**EURL LD Azouaou**	E-commerce / Local Food Distribution Platform	StartupBlink
11	**Goutra**	Water Technology and Consumption Optimization	TSA – "10 Algerian Startups to Watch"
12	**Garini**	Smart Parking Solutions	TSA
13	**Maksab**	B2B Platform for Supply Chain and Distribution	TSA
14	**MyTree**	GreenTech (Reforestation and Environment)	TSA
15	**Banxy**	Digital Banking (Mobile-only Bank)	TSA

Source: Algerian studies (2020–2024)

With this sample, the study covers three primary sectors

- Digital Technology and Platforms: (9 entities
- Smart and Financial Services: (4 entities
- Green Technologies and Smart Infrastructure: (2 entities)

III.3.2. The Legal Framework from the Sample's Perspective

- 0 out of 15 entities actually apply IFRS for SMEs.

- All of them rely on the National Financial Accounting System (SCF) or simplified versions of it due to legal and practical necessity.
- In the funding and investment contracts reviewed, there was no reference or requirement to mandate IFRS or IFRS for SMEs.
- Disclosure directed at investors (particularly during Seed and Series A funding rounds) relies on manually "tailored" reports that meet investor-specific needs rather than adhering to a specific normative framework.

This result is consistent with the IFRS Foundation classification of Algeria as one of the countries that have not officially adopted IFRS for SMEs as of 2025.

III.3.3. Professional and Training Competencies within the Sample

Based on the Report on the Innovation Ecosystem 2022 and interviews conducted with accountants within the sample:

- Only approximately 22% of accountants or financial officers in these entities have received any training in IFRS, mostly through short private courses.
- The majority (78%) rely on traditional tax accounting, with some explicitly stating that they "do not need IFRS as long as the law does not mandate it."

These data confirm the findings of the ANPS and Ministry of Knowledge Economy reports regarding the weakness of international accounting training within the innovation ecosystem (ANPS 2022, National Reports).

III.3.4. Digital Transformation in Accounting Practices

According to data from the Ministry of Knowledge Economy, 2024 reports, and the survey results within the sample, the level of accounting digitalization can be summarized as follows:

Table 06 :Digital Transformation in Accounting Practices

Accounting Digitalization Level	Estimated Percentage in Sample	Common Tools
High (ERP / Cloud)	≈ 35%	Odoo, QuickBooks, Cloud-based solutions
Medium (Office Software)	≈ 47%	Excel, Google Sheets
Low (Manual / Semi-manual)	≈ 18%	Ledgers, Word files, basic notebooks

Source: data from the Ministry of Knowledge Economy, 2024 reports

Quote from one of the interviews with an e-commerce start-up founder:

"We have no integration between our e-commerce platform and the tax system; therefore, we generate reports manually at the end of the year only for the accountant and tax purposes."

From the perspective of IFRS for SMEs, which assumes the ability to produce regular, high-quality, and comparable financial information, this situation implies that transitioning to the standard will not merely be a legal decision but rather a comprehensive digitalization project.

Here is the professional academic translation of the remaining sections of your study into English:

III.3.5. Treatment of Intangible Assets

Within the studied sample:

- 12 out of 15 entities possess digital platforms, applications, or software that constitute the core of their business model.
- Only 3 entities recognized intangible assets in their financial statements (either internally developed or licensed software).
- The remaining 80% recorded the majority of software development and innovation spending under Operating Expenses (Charges d'exploitation).

This aligns with previous Algerian studies (e.g., Azzedine Fouad and Takrart Yazid) regarding intangible assets in start-ups, which indicate that the absence of a clear national measurement framework for intangible assets leads to hiding a significant portion of economic value off-balance sheet. In contrast, IFRS for SMEs (Section 18-19 in previous editions, with updates in the 2025 Third Edition) provides a clearer framework for treating internally generated intangible assets under specific conditions: identifiability, control, future economic benefits, and reliable measurement.

III.3.6. Financial Disclosure Culture

Supported by findings from the World Bank's ROSC reports on the MENA region, the study shows:

- Approximately 20% of start-ups in the sample prepare financial reports for investors (Pitch Decks + financial summaries).
- 80% limit themselves to tax/administrative accounting reports without a periodic disclosure strategy.
- There is an almost complete absence of voluntary financial statement publication on company websites or platforms.

This "Tax-Administrative" culture contradicts the philosophy of IFRS for SMEs, which focuses on external users of financial information (investors, lenders, partners, and creditors).

III.4. International Comparison and Algeria's Position:

. South Africa: The Mandated Regulation Model

South Africa was among the first to officially adopt IFRS for SMEs in 2010, integrating it into the national standard system as a mandatory reference for a wide range of SMEs, supported by SAICA.

. Malaysia: The National Adaptation Model (MPERS)

In 2016, Malaysia adopted a national standard equivalent to IFRS for SMEs called MPERS (Malaysian Private Entities Reporting Standard), developed by the MASB. Success factors included linking compliance to tax incentives and integrating it into university curricula.

Table 0 7 :Comparative Table (2023–2025)

Indicator	Algeria	Malaysia	South Africa	Source
Official Adoption	No (Under Consideration)	Yes (MPERS Equivalent)	Yes (Since 2010)	IFRS Foundation / MASB
Applied Entities %	≈ 0%	≈ 45%	≈ 60–70%	OECD / Professional Reports
IFRS Training	≈ 20–25%	> 80%	≈ 90%	ANPS / SAICA / IFAC
Digitalization Level	Moderate (35% Digital)	High (> 90%)	High (> 85%)	Ministry of Economy / OECD
Disclosure Quality	Weak	High	Very High	World Bank ROSC

Source: IFRS Foundation - Use of IFRS Standards by Jurisdiction

- **Legal and Institutional Challenges:** Lack of explicit legal backing for start-ups to apply IFRS for SMEs and the absence of a national body for standard interpretation.
- **Professional and Educational Challenges:** The standard is not taught as a standalone unit in most economics faculties, and professional bodies focus on tax auditing over international standards.
- **Technical and Digital Challenges:** Back-office accounting systems are often disconnected from operational platforms, relying on manual Excel entries.
- **Economic and Financial Challenges:** The high cost of transition (training and new software) without a clear policy linking compliance to financial support.

IV. Key Scientific Findings:

The findings presented in Sections II through V are now mapped explicitly against the three research hypotheses formulated in the introduction, in order to assess the degree to which the empirical evidence confirms, refines, or challenges each hypothesis.

- Hypothesis 1 Confirmed – The field analysis confirms that the national accounting framework (SCF) lacks the regulatory adaptation required for IFRS for SMEs. The SCF, as established by Decree 07-102, contains no dedicated provisions for start-ups, and Algeria remains classified by the IFRS Foundation as a jurisdiction where the standard is "under consideration" but not adopted. None of the 15 start-ups in the sample apply IFRS for SMEs, not by choice but by legal default. The 2025 Third Edition of the standard has further widened this normative gap.

- Hypothesis 2 Confirmed and Extended – Professional and technical obstacles are well-documented by the data: only approximately 22% of financial officers in the sample have received any IFRS training. The hypothesis is extended, however, by the finding that digital fragility—specifically the reliance of 47% of start-ups on basic office software and 18% on manual recording—constitutes a structural barrier that would persist even if legal mandates were introduced. Intangible asset misclassification (80% of entities expensing software development costs) further confirms the depth of the professional deficit.

- Hypothesis 3 Partially Confirmed – The international comparison confirms that South Africa and Malaysia provide replicable models of gradual adoption, with adoption rates of 60–70% and 45% respectively, underpinned by dedicated national standards (MPERS) and training infrastructures. However, the Algerian comparison reveals a critical limiting condition not fully captured by the hypothesis: the absence not only of institutional frameworks, but also of a tax-compliance-to-disclosure cultural transition, which proved essential in both reference cases. The hypothesis is therefore confirmed in its structural logic but requires the addition of a cultural dimension to fully explain adoption dynamics.

- **A Normative Gap:** The SCF lacks a dedicated section for SMEs, and the 2025 Third Edition of IFRS for SMEs has widened this gap.
- **Disconnected Reforms:** Strong legal evolution for start-ups (Decree 20-254) has not been accompanied by accounting adaptation.
- **Competency Deficit**: Less than a quarter of accountants in the start-up ecosystem are trained in IFRS.
- **Digital Fragility:** Reliance on manual recording complicates the implementation of standards requiring regular measurement and disclosure.

V. Practical Recommendations and Proposed Roadmap:

V.1. At the Government and Ministry of Finance Level

- Issue a National Framework Equivalent to IFRS for SMEs: Such as "SCF-PME" based on the 2025 edition.
- Establish a National Interpretation Committee: Including the Ministry of Finance, Ministry of Knowledge Economy, ONECCA, and universities.
- Link Compliance to Incentives: Award extra points for ASF funding applications to entities adopting the simplified reporting framework.

V.2. At the Professional Bodies Level (ONECCA)

- Launch Certified National Training Programs specifically for start-up accountants and auditors.
- Develop Practical Application Guides in Arabic and French focusing on intangible assets and start-up disclosures.

V.3. At the University and Research Level

- Integrate Comparative Modules (SCF vs. IFRS vs. IFRS for SMEs) in Bachelor's and Master's programs.
- Encourage Research on innovation accounting and the knowledge economy.

V.4. At the Start-up Level

- Adopt Digital Accounting Systems (Cloud/ERP) that are scalable.
- Register Intangible Assets according to clear criteria rather than treating them solely as operating expenses.
- Develop a Financial Disclosure Culture for investors using simplified quarterly reports, financial dashboards, and clear KPIs.

VI. Conclusion:

This article sought to analyze the feasibility of applying the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs) within the Algerian start-up ecosystem, amid the rapid regulatory, economic, and accounting transformations occurring in the knowledge economy since 2020. The study was based on the hypothesis that the current national accounting framework (SCF), despite being inspired by Full IFRS, does not provide a

normative treatment suitable for the nature of start-ups—which are characterized by their novelty, the dominance of intangible assets, unstable business models, and high risk profiles.

By integrating theoretical analysis, a field study of a sample of Algerian start-ups, and a benchmark against leading international experiences (South Africa and Malaysia), the research findings revealed a clear normative and institutional gap between the requirements of IFRS for SMEs and the reality of accounting practice in Algeria. Furthermore, the study demonstrated that the challenges hindering the adoption of the standard do not stem from its unsuitability for start-ups, but rather from a weak supportive legal framework, deficiencies in professional training, the fragility of the digital accounting infrastructure, and the dominance of "tax logic" over the culture of financial disclosure.

Conversely, the study revealed that IFRS for SMEs, particularly in its 2025 Third Edition, offers genuine opportunities to improve the quality of financial reports, enhance comparability, and bolster the confidence of investors and venture capitalists—provided it is gradually adapted to the national and sectoral specificities of Algerian start-ups. Consequently, the adoption of this standard should not be viewed as an isolated technical measure, but rather as a strategic choice within a comprehensive reform of the financial governance system in the knowledge economy.

- ❖ **Main Results of the Study:** The study yielded a set of scientific findings that can be summarized as follows:
- ✓ **Absence of a Dedicated National Normative Framework for SMEs and Start-ups**: The Algerian Financial Accounting System (SCF) relies on an adaptation of Full IFRS without including a parallel or equivalent standard for IFRS for SMEs. This creates an implementation gap for entities with limited resources.
- ✓ **Unreadiness of the Legal and Institutional Environment:** Direct adoption of the standard is hindered by the absence of explicit regulatory texts and a specialized national body dedicated to interpreting international standards and adapting them to the Algerian context.
- ✓ **Weak Professional and Training Competencies in IFRS for SMEs:** Field study results revealed that less than a quarter of accountants working within the start-up ecosystem have received formal training in international standards. Furthermore, the training system remains focused on tax accounting rather than investor-oriented financial disclosure.
- ✓ **Fragility of the Digital Accounting Infrastructure**: A significant percentage of start-ups still rely on traditional tools (e.g., Excel, manual ledgers), limiting their ability to produce regular financial information compliant with IFRS for SMEs requirements.
- ✓ **Deficiency in the Treatment of Intangible Assets**: In most cases, research, development, and software expenditures are charged as operating expenses. This leads to the concealment of a core part of the start-up's true economic value, keeping it off the financial statements.
- ✓ **The "Success Triad" for Adoption:** International experiences confirm that successful adoption of IFRS for SMEs is linked to three essential pillars: Gradual Legal Mandating, Intensive Professional Training, and Accounting Digitalization—elements that remain incomplete in the Algerian case.
- ❖ **Recommendations:** Based on the findings, the study recommends the following:

. At the Governmental and Legislative Level

- **Draft and Issue a National Standard Equivalent to IFRS for SMEs:** (e.g., SCF-PME or MPERS-DZ) based on the 2025 Third Edition, with linguistic and sectoral adaptations suitable for the start-up environment.
- **Establish a Permanent National Committee:** Tasked with adapting and interpreting international standards, comprising the Ministry of Finance, Ministry of Knowledge Economy, professional bodies, and universities.
- **Link Compliance to Incentives:** Integrate adherence to the adapted accounting framework with fiscal and financing incentives, particularly within start-up support programs.

. At the Professional Level

- **Develop Certified Training Programs:** Specialized in IFRS for SMEs for accountants and auditors working with start-ups.
- **Prepare Practical Implementation Guides:** In both Arabic and French, clarifying the differences between SCF and IFRS for SMEs, specifically regarding intangible assets and disclosure requirements.

. At the Academic Level

- **Integrate Comparative Study Units:** (SCF vs. IFRS vs. IFRS for SMEs) within Higher Education curricula.
- **Encourage Applied Research:** Support field studies related to Innovation Accounting and the Knowledge Economy.

. At the Start-up Level

- **Gradual Investment in Digital Information Systems:** Transitioning to flexible and scalable digital accounting software.
- **Adopting an Investor-Oriented Disclosure Culture:** Even prior to legal mandates, start-ups should enhance transparency to build trust and improve their chances of securing funding and achieving growth.

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