

ACCOUNTING FOR STARTUPS IN ALGERIA: BETWEEN BUSINESS SPECIFICITY AND THE APPLICABILITY OF THE FINANCIAL ACCOUNTING SYSTEM (SCF)

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Abstract: The significance of this research lies in shedding light on the accounting aspect of startups in Algeria and demonstrating the necessity of applying appropriate accounting standards for them. We adopted the descriptive-analytical approach by, on one hand, highlighting the drawbacks of the current system, which is designed for large corporations and listed companies, and on the other hand, presenting the standards suitable for startups in Algeria and demonstrating the feasibility of their application. We also presented and analyzed statistics on the growth of these enterprises nationally and internationally. We ultimately concluded that for this type of enterprise to achieve greater profitability, it is imperative to apply the appropriate accounting standards, namely the **IFRS for SMEs**, instead of the full International Financial Reporting Standards designed for large, listed corporations, which are unsuitable for startups. Despite this, they hold a respectable position nationally and internationally, which encourages and motivates the improvement and attention to their accounting aspect.

Keywords: Startups, Small and Medium-sized Enterprises (SMEs), Accounting Standards, Accounting System, Growth.

JEL Codes: M41, M13, L26.

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Introduction:

Startups are considered one of the pillars of national economies in recent times, given their significant impact and large number. They are part of the Small and Medium-sized Enterprises (SMEs) sector, which constitutes the largest share of investment activity in various countries, in addition to the innovative nature and rapid growth that characterize this type of enterprise. In recent years, Algeria has paid attention to startups by enacting specific laws and supporting them through various means, from establishing business incubators to creating investment funds.

However, from an accounting perspective, startups have seen little interest. The Algerian legislator issued the **Financial Accounting System (Système Comptable Financier – SCF)**, whose conceptual framework and accounting treatments are highly aligned with International Accounting Standards. This system was primarily designed for application to listed companies, which in Algeria are very few, yet it was applied to all enterprises, including startups and SMEs. The legislator only exempted micro-enterprises, which are subject to what is known as treasury

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accounting (simplified accounting). This demonstrates a failure to consider the specific characteristics of these enterprises. All of this leads us to pose the following main problem:

What is the appropriate accounting framework for startups in Algeria?

From this, we can raise the following sub-questions:

- What is the current state of startups in Algeria?
- What are the accounting standards suitable for startups in Algeria?
- To what extent are these types of standards applied in Algeria?
- Does their growth encourage greater attention to them?

To answer the previous questions, the following hypotheses can be formulated:

- Startups are receiving significant attention from the state.
- The **IFRS for SMEs** are the appropriate standards for startups, unlike the **SCF** standards designed for large corporations and listed companies.
- The **IFRS for SMEs** have not been applied to startups in Algeria.
- These enterprises are growing well and encouragingly.

Research Significance:

The significance of this research lies in shedding light on the accounting aspect of startups in Algeria and demonstrating the necessity of applying accounting standards suitable for them, namely the **IFRS for SMEs**.

Research Objectives:

This research aims to:

- Illustrate the current state of startups in Algeria.
- Explain the accounting currently applied to startups.
- Highlight the drawbacks of the current system applied to startups.
- Demonstrate the feasibility of applying the **IFRS for SMEs** to this type of enterprise in Algeria.
- Showcase the position of startups nationally and internationally.

First: Startups in Algeria

1. Definition of Startups:

Regarding the general definition, there is no unified definition. Therefore, we can adopt a definition according to the *Larousse* dictionary, which indicates that they are: "young, innovative companies in the field of information and communication technology whose mission is to create and market new technology." Researcher Eric Reis defined them as: "companies that aim to develop and distribute a new product under a high degree of uncertainty." (Wiam, 2020/2021, p. 31, adapted). As for the legal definition, the Algerian legislator defined them and specified all related procedures and conditions in Executive Decree No. 20/254 dated September 15, 2020, which establishes a national committee for granting the label "Startup," "Innovative Project," and "Business Incubator," and defines its tasks, composition, and functioning. (Official Gazette No. 55, September 21, 2020, adapted).

Article 11 of the aforementioned decree specifies the criteria to be respected for granting the "Startup" label, which are as follows: (Official Gazette No. 55, September 21, 2020, adapted):

- The company's age must not exceed 8 years.
- The company's business model must be based on innovative products, services, business models, or any innovative idea.
- The annual turnover must not exceed the amount set by the national committee.
- At least 50% of the company's capital must be owned by natural persons, approved investment funds, or other entities holding the "Startup" label.
- The company's growth potential must be sufficiently significant.
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2. Characteristics of Startups:

The characteristics of startups can be summarized in the following elements: (Osama, 2022/2023, pp. 9-10)

- **Recent Establishment:** Their age does not exceed 8 years according to Executive Decree No. 20/254. Therefore, they are newly established; after this period, they must either evolve into successful enterprises or fail and close.
- **Growth and Development:** A characteristic of startups is that they grow and develop rapidly, achieving revenues much faster than the costs they incur.
- **Technology-Dependent:** For the purpose of rapid development and growth, startups rely on technology by saturating markets with innovative, modern products.
- **Low Costs:** This type of enterprise operates on low costs compared to the profits they may obtain, which can arrive quickly and unexpectedly.

Note on Tax Exemption: According to Law No. 21-16, the Finance Law for 2022, Article 117, amended starting from Article 69, stipulates: "Enterprises holding the 'Startup' label are exempt from the Professional Activity Tax (*TAP*), the Global Income Tax (*IGR*), or Corporate Income Tax (*IBS*), as well as the Single Flat-Rate Tax (*IUF*), for a period of four (4) years from the date of obtaining the 'Startup' label, with an additional one (1) year in the case of renewal." (Official Gazette, December 30, 2021, adapted).

3. Types of Startups:

There are several different types of startups: (Charif Ghiata & Bouferah, 2022, pp. 163-164)

1. **Small and Medium-Sized Startups:** Their activity is characterized by small scale, meaning they do not intend for their business to grow significantly, with a maximum of 200 employees.
2. **Large Startups:** This category includes commercial companies that aim to innovate and create major waves in their industry, achieving unlimited growth, in complete contrast to small and medium-sized ones.
3. **Social Startups:** These are startups with a social character, aiming to work within the community where they are established to improve it, make a difference in a specific cause, or contribute positively to a social issue or philanthropic endeavor.
4. **Scalable Startups:** These are companies built or created with the goal of expanding their activity and scope over time, eventually becoming major entrepreneurial companies in their industry or field.

5. **Buyable Startups:** These are companies created from the outset with the aim of developing them, expanding their business and scope, and then selling them in significant deals after they have secured a major position in their market and among competitors.
6. **Lifestyle Startups:** These are companies whose activity is primarily based on behaviors, activities, or different lifestyles that the public is passionate about and interested in.

4. Support and Financing for Startups in Algeria:

The methods of supporting and financing startups in Algeria vary, but they all aim to promote this type of enterprise and strive for its success. We deemed it appropriate to mention some recent state efforts in this context:

1.4 Business Incubators:

Business incubators can be defined as independent institutions with their own legal status, providing services and facilities to small investors who are establishing startups, with the aim of encouraging them and giving them an initial boost to overcome the first phase of the project. (Amin, 2022/2023, p. 28).

Article 21 of Law 20-254 stipulates that: "Any structure belonging to the public sector, the private sector, or a public-private partnership, that proposes support for startups and holders of innovative projects in terms of accommodation, training, consulting, and financing, is eligible to obtain the 'Business Incubator' label."

Article 25 of the same law also stipulates that the business incubator candidate for the "Business Incubator" label undertakes the task of accompanying the incubated startups during the incubation period. In this capacity, it commits to the following:

- Locating the incubated startups and providing them with equipped workspaces.
- Accompanying project holders during the company formation procedures.
- Assisting startups in preparing business plans, market studies, and financing plans.
- Providing quality training, particularly in business management, legal obligations, and accounting obligations.
- Making logistical resources available to project holders, such as meeting rooms, computer equipment, office supplies, and high-speed internet.
- Assisting startups in developing the prototype.
- Accompanying the incubated startups in finding funding sources and market penetration.

2.4 The National Fund for Financing Startups:

The Algerian state established a system to facilitate startup activity, given the difficulties they face in their launch and operation due to the numerous risks involved. Consequently, the state created the National Fund for Financing Startups under Article 131 of Law 19-14 dated December 11, 2019, from the Finance Law for 2020, under the name "Fund for Supporting and Developing the Economic Ecosystem for Startups." (Official Gazette No. 81, 12/30/2019).

This fund was officially launched on October 3, 2020, during the National Conference for Startups hosted by the International Conference Center in Algiers. This fund relies on an

investment-based financing mechanism (venture capital) rather than traditional loan-based financing procedures. This means financing youth through risk-sharing and profit/loss sharing, without requiring them to provide collateral they do not possess, and bearing the risks that startups may face, as the possibility of failure remains. (Khadra, 2021).

According to the fund's General Director, Mr. Hachani Okba, by the end of 2022, more than 80 Algerian startups holding the "Innovative Project" and "Startup" labels had been financed. He also stated that the fund, which recently strengthened its financing capacity through an agreement with the Public Treasury to finance provincial investment funds, has studied 350 financing applications since its inception, at a rate of 20 to 25 files per month. (Al-Anbaa, Startup Financing Fund: Financing of over 80 enterprises by the end of 2022, 2022).

3.4 Venture Capital Companies (*Société de Capital Risque*):

Since startups are based on risk, which may reduce opportunities for traditional financing, a financing structure called venture capital (also known as "risk capital") was created. This is a method or technique for financing this type of enterprise. (Linda, 2022, p. 159).

This activity was established based on Law 06-11 regarding Venture Capital Companies. This law generally defines the conditions for practicing venture capital activity by a *Société de Capital Risque* (Venture Capital Company), as well as how it is established and operates. It also stipulates that this company aims to participate in the company's capital in each transaction, providing shares of private or quasi-private funds to enterprises in the process of being established, growing, transforming, or being privatized. (Official Gazette No. 42, June 25, 2006).

In the context of highlighting the achievements of this company, an informational day was held on "Promoting Financing through Venture Capital," organized by the Algerian Investment Promotion Agency (AAPI), in partnership with the Commission for the Organization and Supervision of Stock Exchange Operations (COSOB) on Thursday, May 23, 2024. During this event, Mr. Bouznada, President of COSOB, explained that "Algeria had, until June 2023, financed over 144 projects by the five (5) venture capital companies approved by COSOB, with a total value estimated at 6.7 billion Algerian Dinars." (Algeria Press Service, 2024).

The same official stated that the total capital of these five companies is estimated at 19 billion Algerian Dinars, highlighting the potential of this alternative financing mechanism for the country's enterprises, representing significant financing capacity that can be directed to projects registered with the Algerian Investment Promotion Agency (AAPI). In this context, the Commission President addressed the importance of the meeting's topic, explaining that financing through venture capital companies is an alternative means offering numerous advantages to beneficiary enterprises, especially those not eligible for bank loans. (Algeria Press Service, 2024).

Second: Accounting Standards for Startups

Accounting standards are considered the compass governing accounting in general. It is essential to respect these international standards when performing accounting tasks. However,

there are no specific standards for startups *per se*, but rather accounting standards specifically for Small and Medium-sized Enterprises (SMEs). This is what we will examine in this section. In this regard, it is necessary to apply these standards to startups, given that they are newly established and small compared to large corporations, which apply their own specific accounting standards.

1. Presentation of the International Financial Reporting Standard for Small and Medium-sized Enterprises (IFRS for SMEs):

Following the annual report issued by the International Accounting Standards Board (IASB) in 2000, which included statements calling for the development of a standard specific to SMEs, the Board immediately established a working group of experts to study the project. Consequently, the administrative members stated in their annual report that they would support any effort by the Board to develop a standard that considers the specificities of SMEs and developing countries. An exposure draft was issued for comment and recommendations. The idea of creating a standard for private entities began in 2001, with the first meeting in 2003, followed by successive meetings until the Board's last meeting in 2008. The Board then formed a committee that produced a draft of the International Financial Reporting Standard for Small and Medium-sized Entities. (Behouli, 2021, p. 370).

The IASB prepared the final version of the IFRS for SMEs in 2009. This standard was developed to meet the diverse needs of users of financial reports from SMEs, including micro-enterprises. It represents a foundation and reference containing various rules that this sector must adhere to in order to improve the quality of its financial reports, especially in the economies of developing countries, specifically adapted to their markets. This standard allows for the accounting treatment of economic events according to the specificities of this sector, reducing the volume of accounting requirements by over 90% compared to applying the full IFRS, particularly regarding disclosures.

This standard was issued with a summary of the work explaining the objectives sought, the entities concerned by its application, a clear identification of the users of financial reports for SMEs, and an application guide illustrating how to present financial statements along with accompanying notes. This standard is self-contained but relies on the same conceptual framework as the full IFRS for its preparation and amendments. This allows for its continuous updating as needed, on one hand, and facilitates a simplified transition to the full IFRS for entities whose circumstances change or those choosing full IFRS adoption, on the other hand. (Chaba, 2015/2016, p. 9).

2. Motivations for Issuing the IFRS for SMEs:

The motivations of the IASB for issuing specific international accounting standards for SMEs were as follows: (Chaba, 2015/2016, pp. 10-11)

- Establishing an accounting reference framework aligned with the requirements and needs of these small entities.
- Simplifying accounting procedures.
- Increasing the confidence of potential investors (stakeholders).
- Enabling SMEs worldwide to produce comparable accounting information.

- Considering the needs of SMEs regarding the costs of preparing financial statements and the benefits provided to users of those statements.

3. Components of the IFRS for SMEs:

The IFRS for SMEs consists of 232 pages, containing a preface and 35 sections, in addition to a glossary of terms. These sections are divided as follows: (Behouli, 2021, pp. 272-273)

- **Section 1:** Scope of Application
- **Section 2:** Concepts and Pervasive Principles
- **Section 3:** Presentation of Financial Statements
- **Sections 4 to 8:** Components (Elements) of Financial Statements
- **Section 9:** Consolidated Financial Statements
- **Section 10:** Accounting Policies
- **Sections 11 to 28:** Valuation Methods
- **Sections 29 to 35:** Specific Economic Events for SMEs (notably foreign currency translation, events after the balance sheet date, first-time adoption of IFRS for SMEs).

To facilitate understanding and application of the standard, the IASB issued educational materials for it, providing a training module for each section, i.e., 35 modules. The first set was released on January 18, 2010.

The following table illustrates the sections of the IFRS for SMEs and their corresponding sources in the full IFRS, which served as the basis for developing the sections of the standard: (Al-Shatti, 2022, pp. 95-96)

Table No. 1: Sections of the IFRS for SMEs and their Sources in Full IFRS

Source Title	Source Ref.	Section Title in IFRS for SMEs	Section No.
Introduction to IFRS	...	Introduction to IFRS for SMEs	...
...	...	Small and Medium-sized Entities	1
IASB Framework	...	Concepts and Pervasive Principles	2
Presentation of Financial Statements	IAS 1	Presentation of Financial Statements	3
Presentation of Financial Statements	IAS 1	Statement of Financial Position	4
Presentation of Financial Statements	IAS 1	Statement of Comprehensive Income and Income Statement	5
Presentation of Financial Statements	IAS 1	Statement of Changes in Equity	6
Statement of Cash Flows	IAS 7	Statement of Cash Flows	7
Presentation of Financial Statements	IAS 1	Notes to the Financial Statements	8
Consolidated and Separate Financial Statements	IAS 27 IFRS 10/12	Consolidated and Separate Financial Statements	9
Accounting Policies, Changes in Estimates, Errors	IAS 8	Accounting Policies, Estimates, and Errors	10
Financial Instruments: Presentation/Recognition/Disclosure	IAS 32/39/ IFRS 7	Basic Financial Instruments	11

Financial Instruments	IFRS 9	Other Financial Instruments Issues	12
Inventories	IAS 2	Inventories	13
Investments in Associates and Joint Ventures	IAS 28/ IFRS 12	Investments in Associates	14
Investments in Associates and Joint Ventures	IAS 28/ IFRS 12	Joint Arrangements and Interests in Other Entities	15
Investment Property	IAS 40	Investment Property	16
Property, Plant and Equipment	IAS 16	Property, Plant and Equipment	17
Intangible Assets	IAS 38	Intangible Assets other than Goodwill	18
Business Combinations	IFRS 3	Business Combinations and Goodwill	19
Leases	IAS 17/ IFRS 16	Leases	20
Provisions, Contingent Liabilities, Contingent Assets	IAS 37	Provisions and Contingencies	21
Presentation of FS, Financial Instruments: Presentation	IAS 1/32	Liabilities and Equity	22
Revenue from Contracts with Customers	IFRS 15	Revenue	23
Accounting for Government Grants and Disclosure	IAS 20	Government Grants	24
Borrowing Costs	IAS 23	Borrowing Costs	25
Share-based Payment	IFRS 2	Share-based Payment	26
Impairment of Assets	IAS 36/2	Impairment of Assets	27
Employee Benefits	IAS 19	Employee Benefits	28
Income Tax	IAS 12	Income Tax	29
Effects of Changes in Foreign Exchange Rates	IAS 21	Foreign Currency Translation	30
Financial Reporting in Hyperinflationary Economies	IAS 29	Hyperinflation	31
Events after the End of the Reporting Period	IAS 10	Events after the End of the Reporting Period	32
Related Party Disclosures	IAS 24	Related Party Disclosures	33
Agriculture/Exploration for Mineral Resources	IAS 41/ IFRS 6	Specialized Activities	34
First-time Adoption of IFRS	IFRS 1	Transition to IFRS for SMEs	35

Source: (Al-Shatti, A. A. The Extent of Using the International Financial Reporting Standard for Small and Medium-sized Entities in the Republic of Yemen. *Journal of Economic Studies*, 9(1). (2022, June). pp.(95/96)

4. Users of Financial Reports Prepared under IFRS for SMEs:

The users of financial reports prepared under IFRS for SMEs include: (Behouli, 2021, pp. 373-374, adapted)

- **Suppliers:** They use this information to assess the likelihood of recovering their receivables from customers on time or the risk of non-collection.
- **Customers:** They are interested in such information to study whether to continue dealing with the entity based on its financial position and continuity.
- **Lenders:** They are concerned with information enabling them to assess the likelihood of recovering their loans and the interest due on them.
- **Non-Managing Shareholders:** Shareholders are interested in information enabling them to estimate their potential share of distributed profits from their entity.
- **Tax Authorities:** Providing information to these authorities is necessary and mandatory for settling tax obligations.

Therefore, considering the needs of stakeholders in their various forms helps improve the quality of financial reports, meet accounting and reporting needs, and provide managers with the necessary information for decision-making.

5. Comparison between the Algerian Financial Accounting System (FAS) and IFRS for SMEs:

In Algeria, upon the issuance of the Algerian Financial Accounting System in its complete version in 2006 (Project No. 5), it was based on a complete set of the original International Accounting Standards for 2004. This implies that the experts who worked on its preparation did not have the opportunity to consult the International Accounting Framework for SMEs, which was introduced as a draft in 2007 and finally adopted in 2009. To address this issue, further research is needed to explore the implications of the lack of access to the updated international accounting framework for small and medium-sized enterprises in Algeria.

The table presented herein serves to provide a concise summary of major issues. It is noteworthy, however, that the financial accounting system features two treatments, the first of which is delineated in bold font in the table, while the second is an alternative to the first. Conversely, IFRS for SMEs limits itself to providing a single, straightforward accounting treatment for each issue. It is also notable that the IFRS for SMEs offers a specific and simplified accounting treatment in contrast to the broader scope of the financial accounting system, which allows for greater flexibility in reflecting the economic reality of the entity. Nonetheless, this can result in greater reliance on data management practices and personal estimation. (Fenazi, 2025, pp. 136-137)

Table No. 2: A comparison between accounting items in the Algerian Financial Accounting System (FAS) and the International Framework for SMEs

Item	Algerian FAS	IFRS for SMEs
Major maintenance and repair expenses	- Recorded as expenses - Added to the value of the asset	- Added to the value of the asset
Development expenses	- Can be considered intangible assets (under certain conditions) - If the conditions are not met, they are recorded as expenses.	- Recorded as an expense mandatory.
Asset-linked borrowing costs	- Integrated into the cost of assets (provided that conditions are met) - Considered as part of period expenses	- Considered as part of period expenses.
Long-term contracts	- The percentage of completion method. - The completed contract method.	- The percentage of completion method.
Subsequent evaluation of tangible assets	- Cost model - Revaluation model	- Cost model
Purchase price variance depreciation	- It depreciates over the utilizable period which is determined to reflect the expected decline in economic benefits. - It is periodically subject to impairment testing (and a non-recoverable decline in value may occur).	- Depreciation is calculated over a specific period (10 years in case of difficulty in determining).
Impairment of tangible assets	- Annual review of the impairment indicator - Periodic review of impairment indicators	- Review in case of a significant change in impairment indicators

Source: Belkhiri M S E, Dafri. R , Fenazi.F, Enhancing Accounting Disclosure in Algeria Through IFRS For SMEs An Analytical Approach. Management & Economics Research Journal. University of Djelfa. Vol 7. No 1.April 2025 . PP 136-137.

Third: Application of Accounting Standards for Small and Medium-sized Enterprises to Startups in Algeria

As we know, accounting standards for Small and Medium-sized Enterprises are not applied in Algeria. Rather, financial accounting is applied to this type of enterprise based on the Financial Accounting System (*Système Comptable Financier* – SCF), which was originally designed to apply to large listed companies. Therefore, both SMEs and startups are in need of applying these standards specific to this type of enterprise.

1. Current Accounting for SMEs and Startups in Algeria:

The Financial Accounting System in Algeria, under Article 4 of Law 07-11 of 2007, obligated the following entities to maintain financial accounting: (Official Gazette No. 74, November 25, 2007, p. 3)

- Companies subject to the provisions of commercial law;
- Cooperatives;
- Natural or legal persons producing goods or commercial and non-commercial services, if they engage in economic activities based on recurring operations;
- All natural or legal persons subject thereto by virtue of a legal or regulatory provision.

Article 25 of the same law also specified the financial statements to be prepared by SMEs, namely: the Balance Sheet, the Income Statement, the Cash Flow Statement, the Statement of Changes in Equity, and notes explaining the accounting rules and methods used and providing supplementary information on the Balance Sheet and Income Statement. (Official Gazette No. 74, November 25, 2007, p. 5)

As for micro-enterprises, the decision of July 26, 2008 defined them according to Article 2 thereof, based on turnover thresholds, number of employees, and activity for this type of enterprise: (Official Gazette No. 19, March 25, 2009, p. 3)

1. Commercial Activity:

- Turnover: 10 million DZD;
- Number of employees: 9 employees working full-time.

2. Production and Craft Activity:

- Turnover: 6 million DZD;
- Number of employees: 9 employees working full-time.

3. Service Activity and Other Activities:

- Turnover: 3 million DZD;
- Number of employees: 9 employees working full-time.

The turnover includes both primary and secondary activities.

The same decision specified the financial statements to be prepared by micro-enterprises, namely: the Statement of Financial Position at Year-End, the Income Statement for the Fiscal

Year, and the Statement of Changes in Cash during the Fiscal Year. (Official Gazette No. 19, March 25, 2009, p. 79)

Law No. 17-02 issued on January 10, 2017, also defined the distinction between Small and Medium-sized Enterprises and micro-enterprises subject to simplified accounting, in Articles 8, 9, and 10 thereof. (Official Gazette No. 02, January 11, 2017, p. 6)

Accordingly, startups are subject to the same previous classification based on turnover size and number of employees. They are either classified with SMEs and maintain financial accounting, or classified with micro-enterprises and maintain simplified accounting. However, this type of enterprise has the characteristic of rapid development and growth, and thus their reliance on simplified accounting may not last long.

2. The Problem of Applying the Financial Accounting System to Startups:

The Algerian legislator issued a Financial Accounting System (*Système Comptable Financier – SCF*) whose conceptual framework and accounting treatments are highly aligned with International Accounting Standards. This system was primarily designed for application to listed companies, which in Algeria are very few. It was then applied to all enterprises, including startups and SMEs. The legislator only exempted micro-enterprises, which are subject to what is known as treasury accounting (simplified accounting). This demonstrates a failure to consider the specific characteristics of these enterprises, which may affect the effective application of the financial and accounting system. The most important of these issues can be summarized as follows: (Cherchafa, 2017, pp. 122-123)

- **Limited financial, human, and material resources** of startups and SMEs, which makes applying the requirements of the Financial Accounting System costly, particularly in terms of staff training. This may compel enterprises to turn to external accounting firms;
- **Weak and undiversified management systems** in these enterprises;
- **The prevailing centralized management style** in these enterprises, dominated by the owner's personality which influences all key functions, reflecting a weak governance system;
- **The absence of external accountability for management**, and the weak accounting culture of the owners of these enterprises, along with their reluctance to organize accounting matters;
- **The specificity of the Algerian economy**, which has made the application of the Financial Accounting System complex, even for large enterprises, particularly regarding the absence of specialized markets whose prices can be used as a reference for valuation.

3. The Possibility of Applying the Accounting System for Small and Medium-sized Enterprises to Startups in Algeria:

What we have previously mentioned regarding the problem of applying the Financial Accounting System to startups in Algeria, and that it is not suitable for this type of enterprise, calls for reconsidering the necessity of adopting the accounting standards for Small and Medium-sized Enterprises, IFRS for SMEs, considering the nature of these enterprises in terms

of capabilities and structure, particularly startups which are characterized by a spirit of innovation and competition and have been developing in recent years.

These standards represent a real opportunity for Algeria to achieve its accounting and consequently economic objectives at the lowest cost and in the shortest time, especially as it finds itself torn between its desire to apply international standards, thereby benefiting from opportunities in the global economy and achieving economic development, and its inability to meet the application requirements due to the specificity of its markets and economy. Moreover, adopting this standard in preparing simplified accounting systems increases the chances of benefiting from the global economy, as it represents an accounting reference specific to this type of enterprise, which most countries today adopt as a strategic tool to achieve economic development and attract foreign direct investment. It is worth noting that attention to this type of enterprise is no longer an easy matter, given the emergence of new challenges represented by the various demands imposed by globalization with all its political and economic concepts. Consequently, developing countries, including Algeria, are facing the dual problems of development and globalization, which makes IFRS for SMEs a more modern tool to drive and develop the sector, as well as to facilitate access to financial markets. (Azzaoui, 2012, pp. 98-99)

Fourth: The Encouraging Growth of Startups in Algeria

1. Development and Ranking of Startups Nationally and Internationally:

The continuous growth of this type of enterprise in Algeria is encouraging for giving them clear and serious attention by adopting accounting specific to them, inspired by the accounting standards for Small and Medium-sized Enterprises. For this purpose, we deemed it appropriate to present the position of this type of enterprise in Algeria and its notable development in recent years. The following table illustrates this development during the period from 2020 to 2025: (Toumi, 2024, p. 432)

Table No. 3: Development of Startups in Algeria during the Period (2020-2025)

Year	2020	2021	2022	2023	2024	2025
Number	41	87	105	799	815	838

Source: Toumi, A. H, (December). Algerian Startups and the Effectiveness of Their Role in Achieving Sustainable Development Dimensions. *Journal of Economic and Financial Research*, 11(2), (2024). in addition to the website <https://www.startupranking.com>

We observe from the table on the development of startups in Algeria a significant and increasing growth since 2020, despite the repercussions of the Corona pandemic during that period. After that wave and the beginning of the national economy's recovery, the growth of these enterprises witnessed a qualitative leap, increasing from 105 enterprises in 2022 to 799 startups in 2023. This is, of course, due to the state's efforts in encouraging this type of enterprise, the spread and development of e-commerce, as well as the youth's orientation towards innovation, especially in artificial intelligence which has become widespread in recent

years. This development has impacted their position internationally. Whereas they were previously ranked low, today they are among the leaders, whether at the African or global level. According to the latest statistics for 2025 on the platform dedicated to discovering global startups on the Startup Ranking website, Algeria ranks second in Africa with 838 startups, after Nigeria with 840 startups, while ranking 20th globally after Nigeria, China, and Switzerland, with the United States leading globally with 85,876 startups. (Global Startup Discovery Platform, 2025). This ranking is honorable, inspires optimism, and reflects the state's efforts in supporting and encouraging this type of enterprise.

• The Most Important Startups in Algeria:

Since Algeria, as previously mentioned, ranks twentieth globally and second in Africa in the field of startups, we deemed it appropriate to highlight the most important startups in Algeria in terms of ranking, according to the latest statistics for 2025 from the platform dedicated to discovering global startups on the Startup Ranking website, as shown in the following table: (Global Startup Discovery Platform, 2025)

Table No. 4: Ranking of the Most Important Startups in Algeria

Global Rank	Startup Name	SR Score	Description
668	Yassir	67,845	A leading on-demand delivery application.
2448	Siamois QSM	41,591	An e-learning platform for Algerian medical students and those preparing for the residency exam.
2818	Legal doctrine	40,101	A company operating in the field of legal technology.
3643	OkStore	36,469	A commercial platform that facilitates the online sales process.
4920	MdinJadida	25,836	A multi-vendor online platform that brings together various representatives and manufacturers.

Source: Prepared by the researcher based on the website: <https://www.startupranking.com>

Note: The SR Score is a number ranging between 0 and 100,000, reflecting the importance of the startup on the internet and its social impact.

The table shows that Yassir is the best startup in Algeria in terms of ranking. Even internationally, its ranking is honorable and significant, ranking 668th globally. Founded on September 13, 2017, it operates in the field of providing on-demand transportation services and has been developing its services over the years, aiming to create a market that provides users with what they need. Then come the other enterprises, which are no less important than Yassir, namely Siamois QSM, Legal doctrine, OkStore, and MdinJadida. All these enterprises represent a qualitative shift in the field of innovation and continuous development that characterizes this type of enterprise.

Conclusion:

From the above in this study, it can be said that startups in Algeria have established themselves and have become among the most important economic enterprises that impact the economic and social reality. Their international rankings and national diversity are clear evidence of this. This necessitates that we pay greater attention to this type of enterprise, especially from the accounting aspect, which has seen weak attention and care. This is observed through the lack of adoption of accounting specific to this type of enterprise inspired by the standards for Small and Medium-sized Enterprises, rather than the standards for large listed companies, which we have seen are incompatible and unsuitable for startups. Accordingly, the validity of the previous hypotheses can be tested as follows:

- **Validity of the first hypothesis:** Startups have a good position in Algeria in terms of attention given to them through support and training;
- **Validity of the second hypothesis:** The IFRS for SMEs are the appropriate standards for startups, unlike the SCF standards for large corporations and listed companies;
- **Validity of the third hypothesis:** The IFRS for SMEs have not been applied to startups in Algeria;
- **Validity of the fourth hypothesis:** Startups are experiencing continuous and encouraging growth nationally and internationally.

Findings:

The findings were as follows:

- Startups are an important component of the national economy through their effective contribution to moving the economic wheel, characterized by low cost and rapid growth;
- Startups are characterized by diversity, which constitutes additional support for the national economy;
- The support and financing provided to this type of enterprise in recent years by the Algerian state is clear and encouraging;
- The standards for Small and Medium-sized Enterprises take into account the needs of these enterprises regarding the costs of presenting financial statements as well as the benefits provided to users of these data;
- The IFRS for SMEs are the appropriate standards for startups, unlike the SCF standards for large corporations and listed companies;
- The IFRS for SMEs are not applied in Algeria, despite the existence of an appropriate environment for this;
- Algerian startups have experienced encouraging growth in recent years, achieving honorable international rankings, which calls for more attention from an accounting perspective.

Proposals and Recommendations:

- Continue to support and finance startups;
- Work on monitoring startups during their initial operating periods and follow up on their financing process;

- Pay attention to the accounting aspect by seeking to adopt the IFRS for SMEs instead of the SCF standards, which are considered unsuitable for them;
- Provide an appropriate environment for applying the IFRS for SMEs, through training courses in this area;
- Working on improving the accounting aspect will positively reflect on the growth of these enterprises and their impact nationally and internationally.

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