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Enhancing Accounting Disclosure in Algeria Through IFRS for SMEs: An Analytical Approach

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Abstract

This study aims to analyze accounting disclosure practices in Algeria and identify deficiencies compared to international standards, with a focus on the potential adoption of the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs). The sample comprised 70 randomly selected Algerian entities for the 2010-2021 period. Results indicate that the current Algerian accounting system requires significant renewal to properly align with the economic environment, considering Small and Medium-sized Entities represent 98% of total enterprises. Hence, adopting IFRS for SMEs emerges as a necessity that should not be further

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ignored, as it can enhance transparency and compliance to disclosure norms suited for smaller businesses. The findings can inform regulators on the reforms needed towards modernizing accounting rules for local entities, especially SMEs that dominate the enterprise landscape yet follow ill-adapted reporting frameworks affecting their growth. Further studies can expand on implementation challenges and prepare the ground for an effective transition.

✓ Keywords : small and medium-sized entities, financial accounting system, IFRS.

1. INTRODUCTION

Accounting functions as an information system dedicated to conveying economic events pertinent to the reporting entity to diverse users of financial reports and stakeholders through financial information, constituting the system's outputs. The foundation of financial communication heavily relies on accounting, where financial reports serve as a pivotal conduit for disseminating crucial information. The ultimate goal of accounting is to meet the varied needs of stakeholders and facilitate informed economic decision-making.

Moreover, the theoretical and applied fields of accounting have continually evolved in response to dynamic economic and social environments, driven by an escalating demand for accounting services. To adapt to internal and external organizational changes, it is imperative to scrutinize the conceptual framework of accounting, encompassing its role, objectives, and the primary purpose of preparing and presenting financial reports to a specific audience. Regular evaluation of these reports and the consistent update of the accounting system are vital to align with the prevailing economic conditions.

In Algeria, where over 98% of economic entities are small and medium-sized entities (including micro-enterprises), and micro-enterprises constitute 97.7% of the total small and medium-sized enterprises as of mid-2019 (Ministry of Industry and Mines, 2019)., the landscape is unique. However, when the Financial Accounting System "SCF" was introduced in 2006 (Project No. 5), it was based on the 2004 International Accounting Standards (IAS), as the International Accounting Standard

for Small and Medium-sized Entities (issued in 2009) was not consulted. This indicates that Algerian economic entities follow accounting practices based on International Accounting Standards, allowing flexibility in choosing accounting policies and relying on personal estimates, potentially impacting the quality of financial information and reports. Moreover, Algerian economic entities operate in a developing environment characterized by weak competition and an inefficient financial market. Additionally, heavy reliance on the banking system to finance projects has adversely affected financial reporting in terms of both form and content.

Against this backdrop, the primary focus of this research is to assess the adequacy of existing accounting disclosure practices among Algerian entities and explore the prospects of transitioning to the International Financial Reporting Standards (IFRS) for Small and Medium-sized Enterprises (SMEs). For these purposes, we ask the following question:

How adequate is the existing accounting disclosure among Algerian entities, and what are the prospects for transitioning to the IFRS for SMEs

Furthermore, this study aims to illuminate the relevance of IFRS for SMEs to the majority of Algerian economic entities. It underscores the necessity for a state-led policy supporting external communication and regulating the accounting disclosure process, given that many companies only disclose financial statements when legally obligated. The study advocates for directing economic entities to disclose financial reports online, highlighting the increasing impact of accounting disclosure on foreign direct investment, stimulating the capital market, and fulfilling the primary purpose of accounting — presenting outputs to the reporting entity and various financial statement users.

2. DEFINITION OF SMES IN THE ALGERIAN CONTEXT

All decision-makers and officials worldwide agree that SMEs play a vital role in achieving economic independence and stability. SMEs possess advantages and characteristics that are often absent in larger entities, such as flexibility in adapting to global transformations and economic crises through development tools. Moreover, SMEs represent the primary source of new ideas and inventions, and are the core nucleus of many multinational companies (Othmani & Bakhti, 2020). Consequently, SMEs have become a top priority in most advanced and developing countries due to their contributions in improving economic and social conditions. The lack of a unified definition for SMEs can be attributed to varying criteria for classifying entities by size between countries.

In Algeria, SMEs, regardless of their legal nature, are defined as entities engaged in the production of goods and/or services, employing between one and 250 individuals, with an annual turnover not exceeding four billion Algerian Dinars (DZD) or an annual gross revenue not exceeding one billion DZD, while respecting the criteria of independence. This definition can be summarized in Table 1.

Table 1. Norms of classification of entities' size

Type of entity	Number of employees (employee)	Annual turnover (DZD)	Annual gross revenue (DZD)	Independence
Micro Entity	From 1 to 9	Less than 40 million	Not exceed 20 million	The requisite for independence in management
Small Entity	From 10 to 49	Less than 400 million	Not exceed 20 million	
Medium Entity	From 50 to 250	Between 400 million and 1 billion	Between 200 million and 1 billion	

Source: authors based on Law N° 17-02 includes the Directive Law for the Development of SMEs (2017, p. 5).

Furthermore, authorities may review the boundaries related to the number of employees and annual turnover based on financial and economic changes that have a direct impact on the exchange rate.

In Algeria, SMEs represent a significant portion of the country's operating enterprises, comprising over 98% of the total number in 2017. Moreover, these enterprises are responsible for employing nearly a quarter of the workforce and contributing a substantial 85.78% to the non-hydrocarbon GDP, emphasizing their crucial role in promoting economic development and growth (Hamcha & Khouni, 2022). This situation is highlighted in Table 2, which reveals that as of the first half of 2019, micro-enterprises constitute an overwhelming 97.7% of the total number of small and medium-sized enterprises, reaching a count of 945,171. This data suggests that SMEs, particularly micro-enterprises, are instrumental in driving economic progress in Algeria.

Table 2. Classification of SMEs in Algeria by size as of the end of the first half of 2019

Type of SME	Number of SMEs	Percentage
Micro Entity	1 136 787	97.7
Small Entity	30 471	2.6
Medium Entity	4 688	0.4
Total	1 171 945	100

Source: authors based on the data provided in the Statistical Information Data Journal for SMEs, Ministry of Industry and Mines (2019).

3. INTERNATIONAL ORGANIZATIONAL FRAMEWORK OF SMES FINANCIAL REPORTS

At the outset of the 21st century, there has been an increasing demand for standards that take into account the unique economic and institutional nature of developing countries, where the majority of businesses are SMEs that rely heavily on the banking system to finance their activities. Responding to these needs, the International Accounting Standards Board (IASB) developed a project aimed at formulating standards for SMEs. On July 9th, 2009, the IASB published the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS

for SMEs), which according to the International Organization for Standardization (ISO), represents approximately 95% of all business organizations in the world and employs nearly 60% of the private sector workforce. Additionally, some statistics indicate that SMEs contribute approximately 50% of the total global value added (Yasser & Berachen, 2018).

IFRS for SMEs is an independent standard consisting of approximately 230 pages. It is specifically designed to meet the needs and capabilities of SMEs by simplifying several of the principles contained in the full IFRS relating to the recognition, measurement, and disclosure of assets, liabilities, revenues, and expenses. The standard excludes topics that are not relevant to SMEs, and significantly reduces the volume of information to be presented, thereby alleviating the reporting burden for SMEs.

The IFRS Foundation has made available on its website a series of 35 educational modules on the IFRS for SMEs in its 2015 edition. These modules are intended to provide stakeholders with additional assistance in preparing and interpreting financial statements in accordance with the standard, with each module dedicated to one of the 35 sections of the standard and providing an overview of the relevant section. Practical examples are provided to illustrate and simplify the provisions. Furthermore, the modular units highlight the differences between the IFRS for SMEs and the full IFRSs.

4. FINANCIAL REPORTING IN ALGERIA AND SMES

In Algeria, the Algerian Commercial Code requires that commercial entities must deposit their social accounts to the National Registry Center, and considers this a mandatory legal disclosure. Strict penalties are imposed on entities that fail to comply. The Algerian legislator has defined the scope of compliance with this deposit in terms of its content and the entities subject to it, as well as setting specific dates and deadlines according to certain procedures to achieve the desired objectives (Article 717 of the Commercial Law, and Order No. 03-11 of August 26, 2003, relating to cash and credit disclosures for banks and financial institutions).

Additionally, Algeria has approved the Official Legal Bulletin for Announcements, known as "BOAL", that requires both natural and juridical persons to

publish all official and useful formal information and those issued by the entities' notarial offices, along with the information related to various entries made in the commercial register. Additionally, it mandates the disclosure of annual accounts including generally: assets, liabilities, and profit and loss accounts for the relevant fiscal year as well as the Minutes from general assembly meetings (all necessary documents must be presented in duplicate; one in Arabic and the other in French). Furthermore, banks and financial institutions must deposit their cash-flow statement, off-balance sheet activities, changes in shareholders equity, and appendices. These documents must be deposited within the month following their approval by the general assembly. Commercial entities are required to hold general assembly meetings to approve their accounts within six months following the closure of the relevant fiscal year.

The tax authorities are the main mandated target of financial disclosure in Algeria along with banks and financial institutions that are voluntarily targeted by entities, given their prominent role as a safe haven and the near-total financing reliance of Algerian entities on the banking system. Each of these disclosure targets specifies the required documents and information to be provided, along with the designated timeline.

Most Algerian entities weigh the costs of preparing and disclosing financial information against the benefits they yield. Consequently, many institutions limit their accounting and financial disclosures to mandatory requirements in order to avoid incurring additional costs, varying fines and penalties, as well as the possibility of business interruption and legal action.

Concerning SMEs, and given that 98% of the operating economic entities in Algeria are SMEs, with micro-enterprises accounting for 97.7% of them, we can gather that the majority of Algerian economic entities are micro-enterprises, meaning they employ nine workers or less, generate annual business figures below 40 million DZD, and their profit does not exceed 20 million DZD, in addition to the necessary standard of management independence. Therefore, it can be preliminarily concluded that a

significant proportion of Algerian economic entities are subject to the single flat tax (SFT) regime.

Accordingly, in addition to declaring the G8 form, which must be filed to the tax authority within the first thirty (30) days of starting the activity, taxpayers subject to the SFT are also required to comply with the G12 form through an estimated declaration of the turnover or professional revenues before the 30th of June each year at the latest, to the tax inspectorate or the regional tax center to which it belongs. Taxpayers subject to this tax are also required to comply with the estimated declaration of SFT on G12 and G12 Bis, the final declaration which must be submitted by no later than January 20 of the year N+1, and which includes the actual achieved turnover. Moreover, they must maintain and provide, upon request by the tax administration:

- A coded and stamped register by the tax authority, summarized by year, containing details of their purchases, supported by invoices and all supporting documents;
- A coded and stamped register containing the details of their sales;

According to mandatory declarations, taxpayers under the SFT are not required to keep an organized accounting system, unlike those under the Actual Tax System. Conversely, all commercial entities (juridical persons) listed below are required to publish their company accounts at the end of each fiscal year. These include in particular:

- Joint stock companies (SPA);
- Limited liability companies for one person (EURL);
- Limited liability companies (SARL);
- Partnerships (SNC);
- Simple limited partnerships (SCS) or joint-stock companies;
- Banks and financial institutions, as well as branches of foreign banks registered with the trade register. These entities are governed by Order No. 03-11 of August 26, 2003, concerning money and credit.

Newly created entities under youth employment support schemes are not exempt

from paying the legal deposit fees for social accounts during the three (03) years following their registration with the trade register. Hence, not all newly registered entities with the trade register are subject to the legal deposit of company accounts for the first year of registration.

Furthermore, and after transferring the legal announcements that have already been published as of January 2007, every commercial entity must submit its social accounts at the local National Trade Registry Center (CNRC) branch in the state where the entity's main headquarter is located. The deadlines for declaration are as follows:

For commercial entities

The entity's accounts must be deposited within one month (1) after the holding of the General Assembly Meeting to approve the entity's accounts for the relevant fiscal year (Article 717, Paragraph 3 of the Commercial Law). Moreover, the General Assembly Meeting to discuss the entity's accounts must be held during the period from January 1st of the following year to June 30th of the same year. June 30th is considered the deadline for holding the General Assembly Meeting.

For banks and financial institutions

Banks and financial institutions are subject to different requirements than those applicable to commercial entities. They have a period of six (06) months from the date of the end of the relevant financial year to submit their accounts, i.e. until June 30th of the same year, which remains the deadline for filing accounts. However, the deadline for submitting the accounts of commercial entities may be extended by order of the competent regional court (Article 676 of the Commercial Code) or by a special exemption from the Banking Committee for Financial Institutions and Banks (Article 103 of Order No. 03-11 dated August 26, 2003 on Cash and credit).

The filed documents include:

- One (01) copy of the minutes of the general assembly meeting (in the national language and French);
- One (01) copy (in the national language and French) of the following tables: assets, liabilities, and profit and loss statement;

- An eligibility certificate for entities established under youth employment support schemes;

Banks and financial institutions must provide the following documents, in addition to the aforementioned:

- Off balance sheet accounts, a cash flow statement (treasury liquidity table), statement of changes in equity (private money change table), and financial statements annex.

5. THE NEED FOR AN ORGANIZATIONAL FRAMEWORK OF SMES FINANCIAL REPORTS IN ALGERIA

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.

Table 3. 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	▪ **Revaluation model** ▪ Cost model	▪ Cost model

tangible assets		
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: Latreche (2016, p. 214)

In addition to the aforementioned table, Article 2.14 of the IFRS for SMEs requires consideration of whether obtaining or determining the necessary information to comply with a requirement may incur unnecessary costs or effort, with benefits less than those costs, which can be ignored while taking into account how this requirement may impact the economic decisions of those expected to use the financial statements without possessing such information. Hence, a cost-benefit analysis must be carried out to determine the feasibility of such compliance measures.

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.

The aim of this study is to shed light on the IFRS for SMEs, which is of particular relevance to the majority of Algerian economic entities. Additionally, it highlights the need for a policy framework for external communication by these entities, as well as government oversight of their accounting disclosure practices. In reality, many entities

only disclose their financial statements when legally compelled to do so, underscoring the importance of guiding economic entities towards voluntarily disclosing their financial reports online. The significance of this study lies in the increasing impact of accounting disclosure and its role in attracting foreign direct investment and stimulating capital markets, as well as in fulfilling the primary purpose of accounting by presenting outputs to reporting entities and diverse financial statement users.

6. DATA

Our study aims to shed light on accounting disclosure in Algeria, identify shortcomings, and explain their reasons, by following a descriptive approach. We selected a sample of 70 Algerian economic entities, randomly chosen while ensuring diversity in terms of sector and activity nature, size, and geographic location. The aim is to cover various types of entities operating in the Algerian economic environment and the list of the selected sample is shown in appendix 1. The covered entities are active since at least 2010 until the date of the latest financial statement published on the National Trade Register Center website (2020 or 2021, depending on each entity).

The study overcame the secrecy philosophy of the financial statements of Algerian economic entities and the difficulty of obtaining them directly from their departments, so our efforts were directed to the website of the National Trade Register Center (CNRC) since all Algerian entities with a juridical persona are required to periodically disclose their assets, liabilities, and income statement to the center. Any user of this website can access the aforementioned financial statements of all entities that disclose their information to the center after paying the subscription fees. Hence, all the financial statements used in this study were drawn from the mentioned website, specifically from the "Financial Situation of Institutions" window and service. It's worth noting that the Legal Advertising Bulletin (BOAL) service or window was also used to access additional information.

7. RESULTS

In this study, we evaluate the financial disclosure in Algeria through a random sample of Algerian economic entities. We used the financial statements published on

the website of the National Trade Register Center. The first criticism of the "Financial Position of Institutions" service on the website is that it only includes the first and second financial statements which consist the assets, liabilities, and income statement of the entities (excluding banks and financial institutions). Hence, not all financial statements can be found on the National Commercial Register Center's website. This means that the statement of cash flows, statement of changes in equity, and accompanying notes are absent, which creates a significant gap for many users of financial reports.

Disregarding the cash flows statement in the financial disclosure for example results in a gap of information about the cashflows. This information is one of the most important pieces that has gained the interest of financial report users, and particularly the amount of net cash flow from operating activities because cash is the most critical element for the continuity of the business, and the common goal among financial report users is to maximize their benefit by maximizing cash flows, especially the operating cash flows, rather than accounting profits, which may not generate the desired cash flows. This information gained importance as well in the past two decades due to the widespread adoption of profit management.

There are two methods to calculate the net operating cash flows; direct and indirect. The direct method is the most reliable and accurate, as financial report users receive this information directly from the cash flow statement (which includes detailed items about cash flows from operating activities, investing activities, and financing activities), and net cash flows from operating activities are derived by using methods that track cash flows both in and out of the entity, based on the daily records of the entity’s economic operations.

On the other hand, the indirect method for calculating the net operating cash flows involves subtracting the accounting accruals (the non-cash component of profits) from the total accounting profits, considering that accounting profits consist of two parts: a cash part represented by operating cash flows and a non-cash part represented by accounting accruals. We can summarize this method as follows:

Since accounting is based on the accrual basis rather than the cash basis, the accounting result is equal to the net operating cash flows in addition to the total accounting accruals. To find the net operating cash flows, the total accounting receivables are measured and then subtracted from the accounting result, as illustrated in the following elements:

Measuring Total Accruals (TACC):

Accounting profit is composed of cash flows plus accounting accruals. Therefore, it can be formulated as follows:

$$NI_{it} = CFO_{it} + TACC_{it} \ldots..(1)$$

Hence, the cash flows are calculated by subtracting the accounting accruals from the accounting profits as follows:

$$CFO_{it} = NI_{it} + TACC_{it} \ldots.. (2)$$

The accounting accruals can be obtained from the available data in the balance sheet and income statement, through changes in working capital with non-cash revenues and the subtraction the value of non-cash expenses, which can be formulated as follows:

$$TACC_{it} = BFR_{it} + PRC_{it} - CHC_{it} \ldots\ldots (3)$$

Where:

BFRit: represents the change in working capital of the entity (i) between periods (t) and (t-1).

PRCit: represents the non-cash revenue of the entity (i) during period (t).

CHCit: represents the non-cash expenses of the entity (i) during period (t).

These elements are calculated as follows:

$$\Delta BFR_{it} = \Delta INV_{it} + \Delta REC_{it} - \Delta DEB_{it} \ldots.. (4)$$

$$PRC_{it} = PI_{it} + RPP_{it} + IDA_{it} \ldots\ldots.(5)$$

$$CHAR_{it} = ALW_{it} + IDP_{it} \ldots.(6)$$

Where:

INVitΔ: Inventory change for entity (i) between periods (t) and (t-1);

ΔRECit: Change in accounts receivable for entity (i) between periods (t) and (t-1);

ΔDEBit: Change in accounts payable for entity (i) between periods (t) and (t-1);

PIit: Fixed production (account 73) for entity (i);

RPPit: Recovery of impairments and provisions (account 78) for entity (i);

ALWit: Depreciation, provisions and impairments (account 68) for entity (i);

IDAit: Deferred tax assets (account 692, credit balance) for entity (i);

IDPit: Deferred tax liabilities (account 692, debit balance) for entity (i).

This approach is less accurate than the direct method since it relies on the accuracy of the accounting data displayed in both the balance sheet and income statement to arrive at the same amount of net cash flows from operating activities. Even though the net operating cash flow is supposed to be the same regardless of the method used to calculate it (direct or indirect method), many values in the balance sheet are incorrect. For example, customers (debit/411) or inventory may have a credit balance when they should have a debit balance, or vice versa. Negative values may also be found. In some cases, the disclosed value is not the same as the one in the comparative financial statements that follow it (depreciation for the year is supposed to be the same as the one in the column for the compared amounts for the next year N with N-1). In addition to many other errors that make the net operating cash flow obtained through indirect method inaccurate and may not be equal to the net operating cash flows obtained through the direct method.

Moreover, and as for the content of the financial statements of the entities under study, we noted the following points:

- Accounting in Algeria is held according to tax laws rather than the financial accounting, which is reflected in many issues.
- Assets are depreciated according to the schedule set by the tax administration, not based on the useful life of the asset. Moreover, the remaining value of the asset at the end of its useful life is not taken into account when calculating its depreciable value (although this last point may be valid when the remaining value cannot be estimated reliably). As a result, we observed a decrease in the value of assets at the same rate for each item separately (for example, the value of

transportation equipment decreases at the same rate as other assets). At the end of the specified period for tax purposes, the total depreciation equals the value of the assets, meaning that the net accounting value is equal to zero, or the assets are removed from the financial statements altogether (depending on the accounting software used). This is not acceptable from an accounting perspective unless the asset no longer generates economic benefits, which creates a discrepancy between physical and accounting inventory. If the asset is still generating economic benefits, its useful life should be re-estimated, or the asset should be revalued. However, because these operations are not acceptable from a tax perspective, they are not performed.

- There is a near total absence of deferred tax accounting for both assets and liabilities, which confirms that Algerian economic institutions adhere to tax accounting rather than financial accounting. Hence, there is no difference between the accounting result and the tax result.
- The column displaying the comparative financial statements (year N-1) shows, in a significant percentage of years, numbers that do not match the actual numbers disclosed in the preceding year.
- Clear errors in values or classifications, such as negative values, unbalanced accounts that require reconciliation, and account balances that do not match their nature due to a lack of adjustments.

CONCLUSION

Each country has its own accounting system, which includes a set of specific principles and rules to meet a variety of objectives at different levels. Moreover, the culture of countries greatly influences the determination of this system and the extent to which it is adhered to. Developing countries are trying to keep up with the developments in accounting and are moving towards the application of international accounting standards, with the aim of attracting and promoting foreign direct investment in a manner that does not conflict with their economic and institutional environment.

In Algeria, economic entities operate in a developing economic environment characterized by weak competition, an inefficient and inactive financial market, and almost total reliance on the banking system to finance their projects. Additionally, the vast majority of these entities are small and medium-sized. Given the accounting constraint of maximizing benefits over accounting costs, tax authorities are the primary target of the accounting disclosure process, with financial institutions also being considered when necessary.

The main question addressed by the study revolves around the level of accounting disclosure in Algeria and its relationship to the financial standard for small and medium-sized enterprises. To answer this question, the financial statements of 70 randomly selected economic entities were examined, with an emphasis on obtaining them from as many Wilayas as possible to cover the majority of Algeria's economic environment. The study period spanned from 2010 to 2021.

The study results indicate the need to update the accounting system in Algeria to be compatible with its economic environment. As small and medium-sized enterprises represent 98% of the total number of enterprises operating in Algeria, adopting the IFRS for SMEs has become a necessity that cannot be ignored. The disclosure practices in Algerian economic enterprises still suffer from deficiencies and defects in terms of both their form and content. Moreover, the culture of secrecy and the failure of managers to present financial statements prevail, limiting the disclosure to only what is required by certain parties. Basing accounting disclosure on tax laws rather than accounting considerations has several short comings such as:

- The lack of clear and consistent accounting standards and practices, which can lead to inconsistencies and inaccuracies in financial reporting;
- The focus on tax compliance rather than financial reporting, which can result in incomplete or inaccurate financial statements;
- Limited use of modern accounting technologies and practices, which can hinder the efficiency and accuracy of accounting processes;
- The lack of emphasis on the importance of internal controls and audit practices,

which can increase the risk of fraud and financial mismanagement;

- The limited availability of trained and qualified accounting professionals, which can further hinder the development and improvement of accounting practices in Algeria.

The study presents a number of recommendations, the most prominent of which is the need to adopt a policy for external communication of entities and to regulate the accounting disclosure process by the state. Most economic entities only disclose their financial statements in the presence of a mandatory legal text. It is also important to publish all financial statements through the official platform of the commercial register and legal advertising to go beyond the balance sheet and expected results, as most studies, countries, and even users of financial statements focus on the cash flow statement, and increase interest in appendices. In the same vein, transparency of disclosure, especially voluntary disclosure, should be increased as an attempt to attract foreign direct investment and reduce creative accounting practices. It is also important to direct economic entities to disclose their financial reports online.

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