

The role of accounting reform in achieving the requirements of optimum usage of the financial accounting system according to the mechanisms proposed for modernization

Hadjadj Zineb*
University of Blida 2-Algeria-
hadjadj.zineb@hotmail.fr

Announ Fouad
Laboratory MESD
University Of Tissemsilt –Algeria-,
announ.fouad@cuniv-tissemsilt.dz

Received: 02/05/2021

Accepted: 22/05/2021

Published: 12/07/2021

Abstract :

This study clarifies the accounting reform applied in Algeria through the implementation and usage of the financial accounting system, In an attempt to give the international dimension to the accounting practices of the Maghreb countries, then the study tries to evaluate the usage of the accounting system in accordance with the accounting and economic environment requirements, in order to propose a systematic mechanism to ensure the modernization of the accounting system. The study concluded that the accounting reform must continue to be applied periodically and not gradually, in order to ensure the continuity of the compatibility between local accounting environment and international accounting framework.

Consequently, the study suggests the necessity of establishing a specialized committee to undertake the calibration tasks at the local level to develop the accounting profession and to give it an international dimension as well .Also, The factors that enhance the achievement of the goals of accounting reform are to benefit from the prevailing accounting practices in different countries and to understand the environmental variables to achieve the effectiveness of compatibility with international standards, and to adapt the accounting system according to the Algerian economic environment, with taking into account the parallel development of both of them.

Keywords: Accounting Reform, Financial Accounting System, Economic Environment, Moernization Mechanisms.

JEL classification codes: M40, M41.

* Corresponding author. Hadjadj Zineb.

Introduction:

Reform is a necessity imposed by the requirements of the development of the economic situation to meet current requirements, but this process is complex and difficult and may face a range of constraints if it is not carefully studied and well-managed, and also if there are no means to ensure its continuation. Therefore, Algerian accounting reform still needs to be supplemented by a broad evaluation of the Algerian accounting work in accordance with the financial accounting system, and to study the mechanisms and strategies of the various countries that are proactive towards the to unify or harmonize of their national systems with the international accounting authority in order to benefit from these experiences and project them to the reform process of the accounting system in Algeria from one side., On the other side, the most important needs of accounting practitioners must be identified and addressed urgently, In addition to that, establishing a mechanism to ensure the reform's continuity and modernity of the financial accounting system in accordance with the development of the national economic situation, and in accordance with the development of international accounting standards as well.

Whereas, after 13 years of applying the financial accounting system in Algeria, it is necessary to stand and work on evaluating the behaviors of various parties concerned (state, professionals, and institutions) in order to contribute to the development of accounting practice, by proposing appropriate solutions to address the existing obstacles and working to updating the accounting system and making it in line with the changes and developments in the international arena by modifying and eliminating some standards and in accordance with the requirements of the economic environment in Algeria.

Furthermore, from the above said, we can formulate the problem statement as follow:

What is the reality and challenges of accounting reform in Algeria through the application of the financial accounting system in light of international accounting compliance and in accordance with the requirements of the Algerian economic environment?

In answering the main question, we provide three sub-questions in order to address all aspects of the research. As follow

-What is the reality of accounting reform in Algeria under the international accounting compliance?

-What are the most important challenges for the success of applying the financial accounting system in Algeria in the light of the prevailing economic environment?

-What are the proposed mechanisms to promote the accounting reform in Algeria by taking advantage of the prevailing accounting practices in the Maghreb Countries and taking into account the Algerian economic environment?

***Hypothesis**

The answer to these questions leads us to put forward a set of hypotheses that will be the starting point of our study:

- **The first hypothesis:** accounting reform in Algeria focused on preparing the financial accounting system in accordance with the 2007's Finance Law and all its decrees until the Algerian system was implemented in economic institutions in 2010,

-**The second hypothesis:** the most important challenges in applying the financial accounting system are the absence of an active financial market, the nature of Algerian economic institutions, the lack of efficiency and training in the developments of this system compared to the previous national accounting scheme;

-**The third hypothesis** the proposed mechanisms for promoting accounting reform in Algeria are through setting up Algerian accounting standards that are updated in according to the requirements of economic environment, in Algeria such as the experience of Tunisia and the Kingdom of Morocco.

*** Objective research:**

The importance of the study is represented by addressing accounting reform and its impact on the business environment in Algeria, as well as evaluating the financial accounting system and then presenting a proposed framework for updating the financial accounting system according to the characteristics of the local environment.

***Research Methodology:**

In this study, two approaches of inductive and deductive of the various tools of the scientific research methods are used, as we relied on the description and analysis of the various stages of accounting reform in Algeria and the Maghreb countries and its evaluation, and on the forward-looking view during the presentation of a proposed mechanism for updating of the financial accounting system.

I. The reality of accounting reform in Algeria in light of international accounting compliance and accounting systems:

Through this chapter, we will tackle the accounting reform in Algeria, to the point of preparing of the financial accounting system in light of the accounting reforms in the Maghreb countries as follows:

1. Motives for accounting reform in Tunisia, Morocco and Algeria:

A number of factors have accumulated and become as urgent motives to change the accounting practices, including the countries of the Maghreb Tunisia, the Kingdom of Morocco and Algeria, in order to be conformed with the international accounting reference.

1. 1. The motives of accounting reform in Tunisia:

Tunisia has witnessed the development of accounting from time to time due to the changing accounting environment represented by the factor of culture, economic, institutional, privatization and openness to the global economy, so, the accounting culture in Tunisia has changed to this day while, it can be divided as follows: (Mabkhout, 2006, p. 24)

- Period 1956-1967: the period of independence, used in this period the 1947 PCG plan quoted from the French scheme (colonial country),

1968-1996: It was called the managerial economy phase, where deficiencies in the accounting scheme of 1947 and the need to adapt the accounts of institutions with national accounting in the context of the state's need as the manager to know the country's resources, where the 1947 PCG scheme was restructured by the Tunisian National Accounting Commission, In 1965, the National Accounting Commission for Accountancy appointed French accountants In order to prepare a new Tunisian accounting scheme for 1968 through three steps: (Zineb, 2013, p. 16)

- Avoidance of a total change in customary accounting practices at that time PCG of 1947 was considered as a basic document;

- Make necessary changes in PCG 1947 that allow for the approximation to the national accountability;

- Fetching outdated modifications to PCG.

Thus, the restructuring led to the development of an accounting scheme for 1968 where the result of the institution was divided into four types to match the national accounting data, and this scheme is considered as the first to introduce the concept of average balance of management and the concept of value added, and in order to facilitate the operations of small and medium enterprises that are not available with sufficient human resources, the committee established special accounting scheme for these institutions, in return this scheme in 1968 became operational in all Tunisian economic institutions, although there is no provision to be applied, and in this period the accounting culture was in adopting of accounting to impose taxes and obtaining macroeconomic indicators, where the application of the accounting rules was strict and directed to the tax authority, therefore the Tunisian accounting culture was the opposite of the Anglo-Saxon accounting culture that seeks to provide accounting information to various users

in order to take the best decisions (Mabkhout, 2006, p. 135) and in the 1980s many professionals criticized the 1968 accounting scheme because no longer can give a true picture of the institution, but rather is biased in favor of the tax authorities, so, after 30 years of using this scheme it became insufficient to provide information (Zeghal, Sonda Marrakchi Chtourou, M, 2006, p34).

Since 1997 to the present day the preparation of a new accounting system has become inevitable and necessary to meet the needs of users of financial information, so the accounting system of institutions SCE has been prepared taking into account the commercial and industrial realities of Tunisia, comprising to small and medium enterprises and simple markets (Aboub.E, 2006, p56). This system consists of: (Ben Salih & Abdelkader, 2013, p. 12).

- The Conceptual framework: which contains the accounting principles, financial statements and their users?

- Tunisian accounting standards: As indicated by Article 04 of the law containing the corporate accounting system, accounting standards in addition to the conceptual framework are an integral part of the accounting system, the accounting standard is published by decision of the Minister of Finance. By the end of 2009, 39 Tunisian accounting standards were published, Furthermore, these standards were divided according to their nature and the topics they deal with, including general standards, one standard, technical standards, 21 and Sectoral standards respectively.

The 17 standards are for the financial employment sector specifically the banking, and the insurance sector.

- The need for accounting legislation to keep up with this development and this need has begun to be considered, (Besnoute, 2005, p. 29) especially after changes have been made in various fields, including (Ben Salih & Abdelkader, 2013, p. 14):

- Encouraging investments by issuing the law to stimulate investments and emphasize exports;

- Updating the tax law and introducing the fee on value added and income tax;

- Modernization of the banking sector and liberalization of interest and exchange rates;

- Liberalization of foreign trade and exchanges and creating flexibility in currency conversion,

- Ensuring national accounting by issuing a new nation's accounts system of.

1.2.The motives of accounting reform in the Kingdom of Morocco:

Starting in 1983, the Moroccan Ministry of Finance decided to adopt an accounting system that reflects the characteristics of the Moroccan environment, where the economic environment in Morocco is characterized by the essential

role of public institutions, despite ongoing privatizations processes, in addition to a significant number of small and medium-sized enterprises, as well as the limited activity of the stock exchange and the financial market, we noticed the weakness of economic reforms in Morocco and weakness of integration in the capitalist economy, which negatively affect the nature and development of the nature and development of Moroccan accountancy. (Banque mondiale, 2002).

Therefore, the Moroccan economic trend has started on two main points: (Ben Salih & Abdelkader, 2013).

-Joining international economic organizations, including International trade organization.;

- Completing the legislative package to modernize the economy and integrate it into the global wheel by 2012.

-The modernization of Moroccan accounting legislation is based on three main pillars which are:

The accounting regulatory bodies are represented by the National Accounting Board and the Accounting Experts Liquidator.

The Accounting Obligations of Traders Act (138-92 & LAW, 1992) 11: This law focuses on several fundamental aspects of the accounting of individual and corporate businesses. (LAW & 1-92-138, 1992).

- The General Law of Accounting Standards: Accounting standards directed at accounting work are evident in the accounting of large companies, whose accounting results will be affected in line with the standards that they follow, so their status became necessary, and the Moroccan legislation related to this issue came during The general accounting system (Executive Decree & 02/98-61), as the general law defines general accounting standards that must be adhered to, and special criteria left for sectoral schemes, as for general standards, including the fact that institutions must prepare at the end of each year financial lists capable of giving an honest picture of the financial situation, their properties and their results in a true manner in the financial statements by respecting basic and private accounting principles (www.marocainedesexperts.com, 2014), then, the National Accounting Council issued several standards for the insurance sector, banking sector, grants, public services, consolidated accounts(Ministry, 2005), and projects, besides to that, there are projects on some accounting standards under review which are related to the stock exchange company, mutual benefits, pension funds, sector Hotel, Central Bank operations.

- Blog of Accounts: The Blog of Accounts in Morocco is a document attached to the law specified in the duties of traders, and the code of accounts containing ten (10) main groups (Le nouveau plan comptable marocain, 2005), what is noted on the Moroccan code of accounts is its use of class 8 results, and for the last two

groups, where the ninth group relates to cost and selling prices calculations in the sense of analytical accounting, while the tenth group is specific to the opening accounts, which confirms the importance of the opening balances in the budget.

From that, The Moroccan accounting system was inspired from the French classification of the fourth direction, which is different from the framework adopted by the IASB, such as not giving priority to reality over the legal form, as the accounting plans were prepared to raise the tax with less for the quality of financial information, and the process of issuing accounting standards began in 1986. In 1997 the bank issued a guide to professional standards for equal scrutiny of most points of the IFRC standards. On April 27, 2006, the Franco-Moroccan Mixed Committee met in Rabat, where the issue of approximating accounting standards for individual accounts with international standards was discussed. In July 2002, a report was prepared on the accounting and auditing standards applied in Moroccan institutions, this study funded by the World Bank (USD150,000), the most important points included in the report are: (www.finances.gov., 2014).

- Improving financial information by adopting IAS by the public institution and improving national standards for other institutions;
- Development of the accounting profession and legal control of financial information;
- The establishment of a mechanism for controlling financial statements for external users;
- Providing financial information to the public.

1.3. The motives of accounting reform in Algeria:

It is cleared through the reasons that led Algeria to adopt the accounting reform option to have goals for preparing the financial accounting system, which are as follows: (EL-HACHEMI, 2007, pp. 44-45)

- Make the accounting and financial statements international documents that are suitable for various foreign institutions, and give an honest picture of the financial situation, performance and changes in the financial position of the institution, through the development of new financial statements, consist of the statements of treasury's liquidity and the change of private funds in addition to table of accounts for results by job;
- The ability to compare the financial statements of the same institution over time with other institutions of the same sector, whether inside or outside the country, i.e. with countries that apply international accounting standards;

The reform, the need for a comprehensive approach to the development of the system is a fundamental issue that needs to be addressed.

-Unifying the accounting methods adopted in the evaluation process for inventories, giving the assessment of budget elements, calculating depreciation, how to deal with provisions, and unifying accounting procedures with the aim of arriving at unified financial statements.

-Reducing the costs resulting from the process of translating or transferring financial statements from the accounting system of the country in which the subsidiaries and branches operate to the accounting system of the parent company, and improving the management of loans by banks by providing a sufficient financial position by the institution. -Try to bring in foreign investors by facilitating financial and accounting procedures and transactions to avoid different accounting systems and to minimize problems in the preparation of financial statements, represented in: (Katosh , p. 8)

* In preparing the consolidated financial statements prepared by the parent institution, that has several branches and subsidiaries in foreign countries, as each branch applies the accounting rules imposed by the country in which it is located.

* As for the second problem related to the absence of the field of comparison of financial information between different institutions in the world, economic openness requires honest, reliable, standardize information in accordance with international accounting standards, in order to facilitate the transfer of economic information and accounting aggregation system for multinational companies (Lhasheshi, 2010, p. 11).

1.3.1.Path of accounting reform in Algeria:

It has been going on with the Law 75-35 PCN - Until the beginning of new reforms began in 1988, due to the change of economic approach taken from a directive administrative economy oriented to an economy controlled and driven by market forces, and here the limitations of the national accounting scheme began to appear to take care of new concerns, in the beginning of the nineties Thinking began to introduce reforms and amendments to this accounting reference, especially in the form of application texts for sectoral accounting: such as the agricultural sector in 1987, insurance sector 1987, construction and public works sector 1988, tourism sector 1989 and banking sector in 1992 The accounting of holding companies in 1999 (Mesameh, 2010, p. 5), and perhaps the most important amendment made to the national accounting plan is the amendment made according to the decision of 09 October 1999, which included the adaptation of the national accounting plan for the activity of holding companies and the merging the pool accounts of the complexes(boutin, 2005, p. 53),

and it is noted that this amendment did not affect the content of the scheme itself, but rather added some accounts that did not exist before as a financial employment account (Ait Mohamed & Bahri, 2009, p. 3), in this period the National Accounting Council guarantees the task of repairing the plans and updating the national plan²⁴. This is the national body qualified to carry out accounting consolidation and preparation of accounting standards (N°96-138 & Decree, 1996), but its opinions are not binding on institutions, bodies or individuals requesting this advice²⁵ (Ben Belghaith, 2004, p. 169), as we also point out, the function of accounting regulation falls within the powers of the General Directorate of Accounting, (According to Resolution 57, 1996)²⁶ and in order to update the national accounting plan, the National Accounting Council has formed in April 2001 a leadership committee tasked with modifying this scheme, as it began to evaluate the national accounting scheme at that time PCN by preparing forms sent to all concerned by changing the scheme, particularly the free practitioners of the accounting profession, institutions and departments that exploit the accounting information.

After exploiting these forms, the Committee thus prepared a summary of its assessment of the national accounting scheme, and in order to redress the shortcomings (Ben Belghaith, 2004, p. 172), a group of French experts affiliated with the French National Accounting Council (CNC, the Council of the French Organization of French Experts (CSOEC) and the National Board of Account governors (CNCC), in addition to these bodies, were appointed by the National Council of Accounting Experts at the time, and its role in helping to change the accounting scheme.

After studying by the board bodies, a strategy of standardization of accountants was adopted, requiring the replacement of the national accounting plan with a new accounting system compatible with international accounting standards, the so-called Financial Accounting System (SCF), which was legalized on November 25, 2007 by the Finance Act 07-11, which stipulated the abolition of the National Accounting Scheme for the year 1975 from January 1, 2010. This law dealt with a set of axes that frame the financial accounting system (definitions and theoretical framework, accounting regulation, financial statements, consolidated accounts and changes accounting methods). Executive Decree 08-156 of May 26, 2008, which includes the application of the provisions of Law 07-11, specified how to develop standards, prepare financial statements, and enables the oversight and Audit Authority to express an opinion on the conformity of the financial statements of the accounting information provided. It also stipulated that the principles and procedures contained in Law

07-11 should be applied in addition to determining the content of the elements of the financial statements.

The ministerial decision of July 26, 2008 set the rules of accounting evaluation, the presentation of financial statements and the rules of the code of accounts, simplified accounting applicable to small enterprises, and included 99 accounting terms with explanations (Boufarah & Dada, 2013, pp. 3-4), and solutions in line with international accounting standards, such as the disclosure of information in accordance with the requirements of the national economy (Ben Belkacem, 2010, p. 250), and Executive Decree 09-110 includes the conditions and how to obtain accounting by media systems, while Instruction 02, issued on the date of the automated date.

Included October 29, 2009 Defined the procedures for the transition from the financial accounting plan and the postponement of the application of the latter to January 2010, through the reprocessing of information for the year 2009 with a detailed explanation in the appendices of the implications of the transition process. This period also as witnessed by several reforms, including redefining the terms and how to practice the profession of the accountant expert, accounting governor and certified accountant according to law10-01 of 29 June 2010 (Law10-01, 2010), while, in 2011 a series of executive decrees were issued that fall within the framework of the changes in the authority level that govern the accounting and auditing profession in Algeria.

1.3.2.Accounting reform work in Algeria to prepare the financial accounting system:

The National Accounting Council has undertaken the task of accounting reform in line with the modifications of the Algerian economy, and the stages of preparing this system have been summarized through stages.

Where, the National Accounting Council has formed a leadership committee tasked with evaluating, updating and modifying the national accounting plan in place since 1975. However, the work of the leadership committee was suspended in 2001, and the task of accounting reform in Algeria was put in an international tender, which was funded by the World Bank, a group of French accounting experts were selected to assist the committee with bodies from the National Council of Accountants experts, as well as categories of different government sectors to carry out the task of accounting reform in Algeria, as this group began its work in April 2001 to complete its work after a year and the group's work program was determined in four steps: (Ben Belghaith, 2004, p. 172).

- Diagnosis of the state of the application of the national accounting scheme with a comparison with international accounting standards;
- Preparing a project for a new accounting system;

-Conducting Training for specialists on the new accounting system and international accounting standards;

-Helping to improve, organize and run the National Accounting Council. With regard to the Group's report on the first step of diagnosing the status of the applying the National Accounting Plan, it included a basis on the shortcomings of the national accounting plan, the differences and comparison with international accounting standards, as well as a set of recommendations, from which the following options were developed:

- **The first option:** is to maintain the existing scheme in its structure to adopt some of the technical treatments and solutions introduced by the International Accounting Standards Committee.

This option allows for the ability to understand the accounts offered by the institutions by foreign investors, and allows improving the accounting information disclosed, but over time two different accounting systems will form a mixed and complex system, and therefore it can be a source of contradiction and difference (CHEAIBE, 2008, p. 15).

- **As for the second option,** it is represented in the completion of a new version of the national accounting scheme in a modern way based on the applications, concepts, rules and solutions established by the International Accounting Standards Commission (IASC). This option is to prepare a new accounting system project, but there is a divergence of views on a set of special points regarding the accounting framework, which resembles the French framework (Ben Belghaith, 2004, p. 74), where opinions were divided into two groups while the first party considered that in the absence of an international standard that defines the code of accounts, it is better to keep the code included in the national accounting plan, and only add some necessary adjustments in order to avoid any negative impact on the current accounting practice and accounting education. While the second group requested confirmation and adoption of the code proposed by French experts, which will reflect the second option, and approach the French code, which receives wide variation in many European, African and Maghreb countries, and therefore, the remarks of the members of the National Accounting Council were shifted to the French experts to be taken into account, based on the recommendations of the General Assembly held on May 27th, 2002, which confirmed its approval of the total results of the total evaluation on the drafting of a new accounting system to be adopted, provided that it would be enriched and strengthened. Consequently, the Financial Accounting system Project was prepared.

II. Assessing Accounting Reform in Algeria through the Application of the

Financial Accounting System in the Prevailing Economic Environment:

Through this axis, we will address the most important shortcomings and disadvantages of the financial accounting system according to its application environment.

1. Difficulties Resulting from the Lack of Preparation for Accounting Reform:

If we take a look at the frequency of the issuance of legal provisions issued regarding the financial accounting system, especially the instructions on the application of the financial accounting system for the first time, it becomes evident to us the lack of seriousness in the preparation and the absence of a strategic vision and proper planning to enter into the application of the financial accounting system. Which led to major management problems, for example: (ZEGMARE, 2011/2010, p. 110)?

-The methodological instruction issued on 19/10/2010 on the methods of applying the instruction on the first application of the financial accounting system;

The instruction regarding revenues and burdens outside exploitation and burden transfer accounts issued on 5/05/2010;

-The instruction on assets and financial liabilities issued on 7 June 2011; In addition to the great delay in the issuance of legal texts, the pace of application has had a negative impact on the pace of application, prompting accountants to rely on their own jurisprudence to address the aspects that the Ministry of Finance and the National Accounting Council have been delayed with, which may have resulted in the beginning of a wrong application of the financial accounting system and thus, the absence of information transparency of and the lack giving an honest picture of the real situation of the institutions.

2. Deficiencies in SCF rules in terms of concepts, evaluation, and handling of various processes:

There are difficulties in determining different values (fair, achievement, utility) and this does not require the intervention of the accountant only but the managers of the institution, its directors, and people specialized in several fields. According to resolution 3-111 on July 26, 2008, which states that sales are evaluated at fair value for the corresponding received or to be obtained, therefore the turnover is not recorded in the account as it is in the invoice, but as estimated by the directors of the institution to create payments. The customer's collection, therefore, this amount will be different from the customer's invoice, and this process is done on each invoice, so how will the reality be with the large number of the invoices. In addition, when physical inventory is performed at the end of the year for composite installations that are accountably separate,

but in reality, they are related, which makes physical inventory difficult. The existence of difficulty in determining pension provisions and the presence of some discrepancies in the account code as the acquisition difference does not amortize, it has an account which is “2807”. The lack of precise homogeneity of the accounts where the possession difference is classified within the intangible assets of the account”207” while the evaluation rules state that the possession difference does not belong to the intangible assets, and the accounting system does not address in detail the private sectors except for banks and insurance, while it is limited in terms of accounting for sectors such as agriculture and tourism.

3. Some important processes are not addressed:

The financial accounting system has dealt with contemporary operations such as the acquisition of investments in the form of a concession, operations carried out within the framework of the finance lease contract, real estate-related operations, did not specify the cost at which the intangible asset is recorded in the form of a concession, and that in the absence of the interest of an update to calculate the underlying asset through a financing lease, what benefit is used (indicated by IAS), but as to how the financial accounting system differentiates between land and buildings, the financial accounting system did not detail how to deal with them, and it is considered as, a contrary to what came in the international accounting standards.

For example, if the institution obtains a piece of Land with an old building on it, and the corporation will remove this old building until it builds a new one, then what is the ruling in this case on regarding the costs of removing the old building? Is it considered part of the ongoing costs (during the session) or part of the cost of the new building? Or a component of land costs? So, if the financial accounting system seeks to standardize accounting practice among professionals, then failure to explain some important processes will negatively impact the achievement of the objective, in addition to some ambiguities in the financial accounting system, such as accounting registration of the depreciation of fixed assets in the form of a privilege.

4. Technical difficulties in applying the financial accounting system:

They can be summarized in the following points:

-The necessity to provide detailed information on sectors that are geographically distributed, especially if the cost-effectiveness and risks are different from other sectors.

- Difficulties in determining operating profit or loss, namely the allocation of the co-costs of the joint cost represented by the costs borne by the organization for more benefit in all sectors of the enterprise.

- Difficulties in applying inventory valuation rules represented in: (Eid Tijani & Radwan, pp. 10-11)

* Difficulties related to the need to charge all costs for the purchase of inventory into the total value of inventory, and here we point out that, there are some costs that are difficult or raise a range of questions about the extent to which they can be charged to the cost of inventory and it is related to borrowing costs, and foreign exchange rate differences;

* Considering the stock of the spare sector as material installations, which will pose great difficulties in following up on this element, especially in light of the apparent weakness in terms of follow-up and the possibilities for evaluating installations by specialists in Algeria;

*Difficulties in determining the value of the reduction in inventory items, as the decrease cannot be determined whether the stock turnover speed is slow (as it is the case), but the reduction is recorded only when the inventory cost is greater than the collectable value (defined as the estimated selling price under the normal conditions of the enterprise's business minus the estimated costs of completing the inventory as well as the costs necessary to complete the sale), and here an important question arises: how can this price be determined in enterprises operating in developing economies that do not have the minimum of statistics, and indicators price, markets and weak information system even at the enterprise level.

- Difficulties related to processing installations, which can be summarized in:

The SCF stipulates that all components of a particular installation must be separately registered, which is a different period of benefit, and therefore the accounting registration of these elements is very difficult, as complex assets such as buildings containing different components such as the heating plant, roofs, elevator, and other structural elements are recorded in several separate accounts to facilitate their depreciations over varying periods.

Difficulties in determining the utility period of installation (or asset), since it requires the transfer of this task from the accountant - who used to determine this period according to the tax rules-to the direct employees who manage these installations, which requires them to have experience and continuous training as stipulated by the SCF the need to review the productive life of this installation from one period to another, which further complicates the process even more.

* Difficulties in reconsidering the way the installations are conducted, as the philosophy of the components of the installation according to the provisions of the financial accounting system in reviewing the value of depreciation from time to time will make it difficult to do effective follow up of the elements of the installations, or at least requires the necessary material and human potential for this purpose, which developed countries such as France complain about, as well as developing countries such as Algeria.

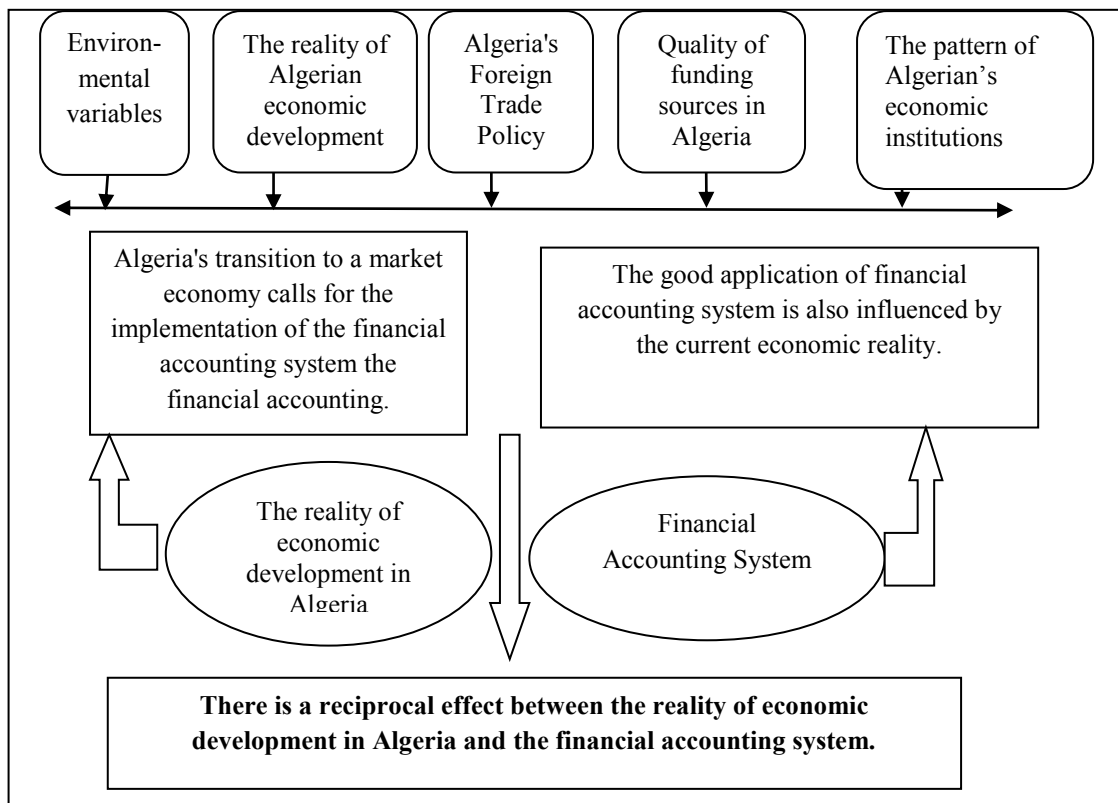
*Difficulties related to the tax aspects that differ in their view of the combined accounts, which may require dealing with two systems specific to each type of account, all of which would make it difficult and complicate the process of monitoring the calculations of installations on the one hand, and require significant logistical capacities,(information programs information devices, computers.... etc.) on the other hand.

* Difficulties in determining the value of the losses of installations, especially as they have a significant impact on the outcome, as an internal system must be formulated in the institution that provides all the necessary information to determine the loss of asset value, a system that exceeds the limits of the financial and accounting interest to be extended to collect other structures of the institution. Although the content of the financial accounting system is in line with the economic development by relying on fair value and examining asset value losses annually during the reassessment process in line with the market, the problem arises in the conditions stipulated by the system for asset reassessment, which is difficult to be implemented from many entities, such as the lack of specialists with high efficiency in evaluation, in addition to the lack of financial information automatically and reliably due to the lack of an active financial market, i.e. the lack of trading of stocks and bonds, which loses knowledge of fair value in addition to the existence of a parallel market which greatly affects prices.

5. Difficulties related to the Algerian economic environment:

The most important environmental variables that affect the economic environment in Algeria as explained in the following figure:

Figure (01): Environnemental factors



Source: Researchers have prepared a concluded from previous studies.

The impact of Algeria's economic environment on the good application of the financial Accounting system can be analyzed as follow:

- The Algerian economic environment (The number of foreign companies in Algeria - moral person - until 31/12/2018 is 11,537 institutions) (Rapport Ministère, 2018) We note that the influence of multinational companies on the financial accounting system in Algeria is weak due to their small number, and they are not listed on the stock market In addition to its quality, the largest foreign companies investing in Algeria are service and construction companies, not industrial companies that require the application of different accounting standards which are divided between the Anglo-Saxon and Francophone references, which does not stimulate the good application of the rules of the financial accounting system;

- Banks in Algeria are the main source of financing for economic institutions, which have negative impact on the success of applying the financial accounting system through its reflection on the basic trend of financial reporting that becomes conservative and confidential, and banks do not rely heavily on the financial statements of institutions when granting loans. How much it depends on bets.

-The application of the financial accounting system by reflecting on the basic orientation of financial reports, which becomes characterized by reservation and confidentiality, as banks do not rely heavily on the financial statements of institutions when granting loans as much as they rely on bets;

-The financial market is still behind in terms of issuing laws organizing the stock exchange and obligating companies participating in it to apply the latest developments in the financial accounting system, which will negatively affect the success of its implementation

-The lack of an active financial market in Algeria is also a reason for the failure to disclose the financial information of various economic institutions in order to subscribe to it and to consider it as a source of financing, as the existence of an active financial market has a strong influence on the success of applying the accounting system;

-The type quality of the activity of economic institutions affects the application of most of the rules of the financial accounting system. Most of the economic institutions are businesses, followed by the services sector, and the industrial sector occupies the third place, from which the rules of the accounting system for assessing stocks are limited to a small number of economic institutions, and on the other hand, the developments brought by the financial accounting system do not serve the largest group of economic institutions in Algeria, namely small and medium-sized enterprises.

III. The Requirements of Accounting Reform and The Mechanisms for its Modernization in The Light of The Algerian Economic Environment:

Through this axis, we will address the most important and prominent requirements to ensure the good application of the principles of the financial accounting system, and then present a proposed mechanism that can be relied upon in order to update the structure of the system in place from the beginning of 2010 to the present day.

1. The Requirements of Accounting Reform in Algeria and the Mechanism of Updating the Financial Accounting System:

Among the most important factors that professionals consider as helpful to properly implement the rules of the financial accounting system are: (HADJADJ & KHALIL, 2019, p. 9).

- Transforming the texts of the financial accounting system into national standards, whereby each standard is concerned with treating one element instead of treating one element in several texts as it is currently, which will facilitate the

follow-up of changes in each national standard, i.e., modification and cancellation would be easily done.

- Adding interpretations of some of the provisions of the accounting system (e.g. SIC) rather than the opinions of the National Accounting Board (CNC);
- Continuing to follow up the accounting compatibility between the accounting system and standards in accordance with the current economic requirements in Algeria, such as the preparation of a standard in Algeria for Small and Medium sized Enterprises that conforms to either the international standard or the EUROPEAN Union standard according to the environment of Algeria, because most Economic institutions in Algeria are small and medium-sized enterprises;
- According to most accountants in Algeria, the owners consider that the primary objective of the financial statements is to collect taxes, and therefore, when applying the financial accounting system, there will be a conflict between the taxable profit and the accounting profit, which will be difficult to apply.

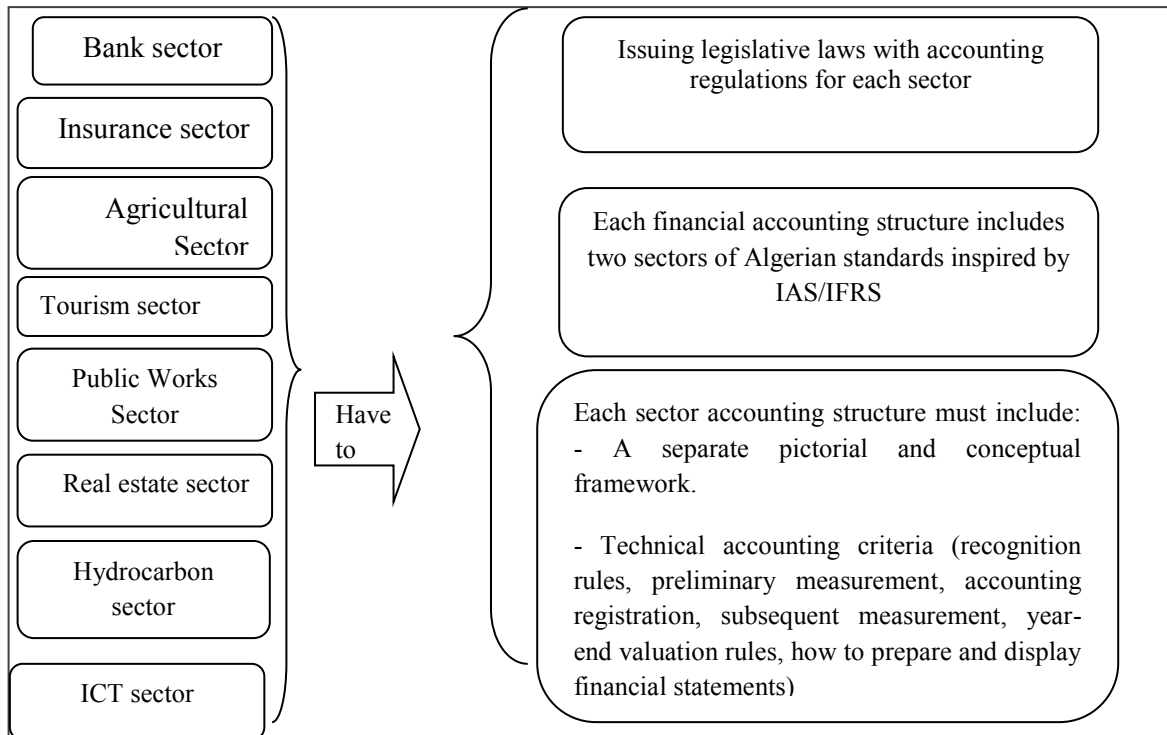
The Algerian National Accounting Council (CNC) did not require professionals to attend seminars and meetings on the financial accounting system, knowing that one of its tasks is to train accountants in the accounting system and accounting standards. On the other hand, the current international environment has resulted in a set of circumstances that impose on the bodies overseeing the accounting theory in Algeria to move towards the implementing of the new standards and reconsidering the content of the financial accounting system in light of the changes in the international financial reporting standards. This study is a mechanism or proposed model on the requirements of new accounting reform in Algeria, in line with the trends of international financial reporting standards (IFRS) and creating inappropriate accounting environment according to the following form:

- Select the topic;
- Study and compare national applications;
- Consultation of the Advisory Committee for Control and Unification;
- Publishing the discussion document in order to discuss and raise concerns about it;
- Publish the draft standard or review a standard for dialogue with all accounting and auditing facilities;
- Analysis of the concerns recorded on the standard adoption of the standard;
- Publish the standard once and for all.

The preparation of a particular standard is subject to a rigorous procedure based on consultation with all relevant parties, including certified accountants, account governors, accounting experts registered with the National Council of

Accountancy, within the requirements of the Algerian economy. As for the new accounting reform through the issuance of accounting systems' sector, the proposed framework can be taken in the following form:

Figure(02): A proposed framework for new accounting reform through the issuance of accounting systems' sector.



Source: (Mamari, 2018, p. 466)

The above figure illustrates the researcher's adoption during the design of this proposed model for accounting reform based on the French experience applied in 2009, and this review the fact that Algeria follows the Francophone reference in its various reforms, and thus crystallized the idea of adopting scrotal financial accounting systems in accordance with the requirements of IAS/IFRS.

According to this proposal and within the framework of the researchers' efforts to find a way to improve accounting practices, the study of "The importance of the adaptation of the Algerian financial accounting system to international audit and audit standards (ISA) in light of its adoption of international accounting standards (IFRS)," through which he presented a proposal for how to modernize the financial accounting system in accordance with international accounting standards (IFRS) as follows: (SEFAHLO, 2016/2017, p. 156).

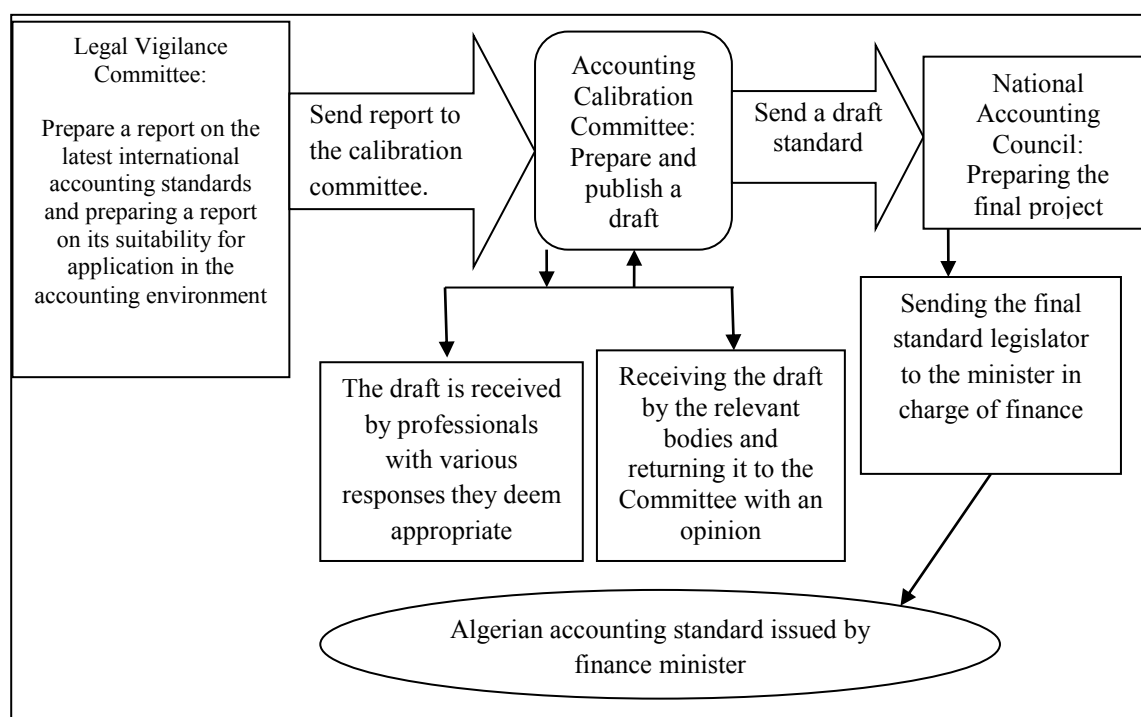
- Consider the Financial Accounting System as a draft to make national standards on way with international standards by introducing some legislative and regulatory amendments to the provisions of international standards, to make them characterized by ease of application and acceptance by institutions with the

necessity to apply them in relation to the listed institutions or the desire to register in the financial market; Issuing an amended version of the national standards adapted after identifying the differences between them and international standards, taking into account the non-conflict with the characteristics of the local environment (political, economic, social), with the necessity to attach a local accounting standard that includes the method of first application of the adjusted accounting standards;

- The need for delegates from the National Accounting Council to be members of the International Accounting Standards Board to ensure communication between the two boards and to obtain the necessary information in the industry of standards;

-Preparing the training program in the field of international accounting standards and developing a data bank for the international standards for the training of accounting professionals; Follow-up on the development of approaches, systems and tools related to accounting and training in the field of accounting at the international level and prepare draft opinions related to standards prepared by international organizations specialized in accounting standardization. Through the above, we present a proposal that will convert the provisions of the financial accounting system into national accounting standards NAC according to a financial statement which is indicated by the following figure.

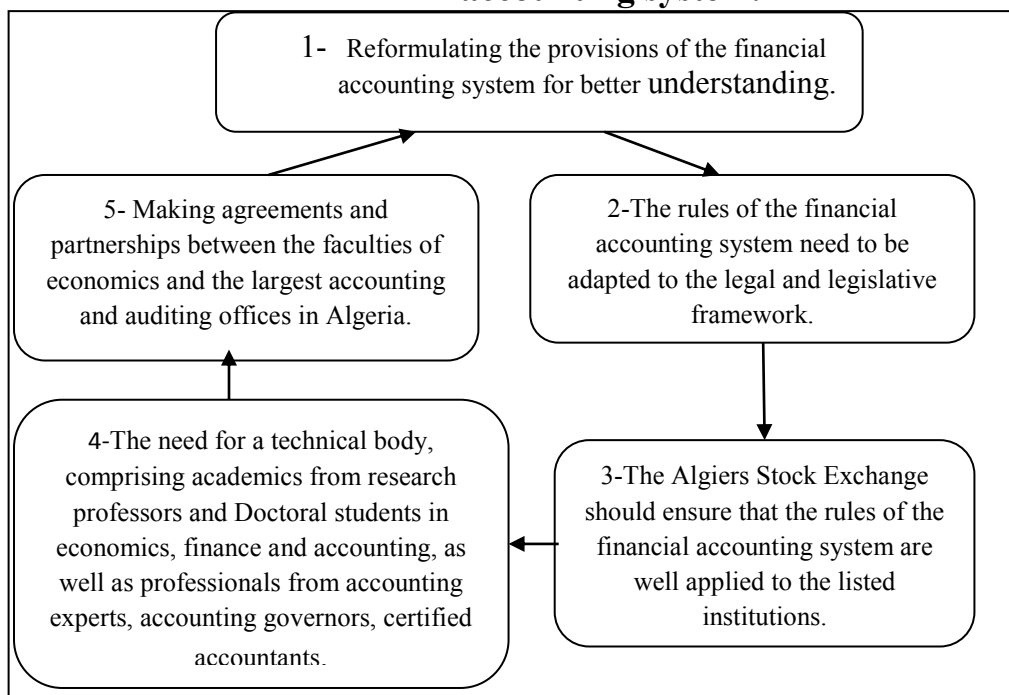
Figure(03): Proposed model for the issuance of the Algerian accounting standards (NCA).



Source: (Bouflileh & bouneaja, 2019, p. 130)

From the above said, it is possible to summarize the mechanisms that promote accounting reform within the requirements of Algeria's economic environment, taking into account compliance with international accounting standards in the following figure.

Figure(04): Proposed mechanisms for the good application of the financial accounting system.



Source :Made by researchers.

2.The ingredients for compatibility with the latest international standards:

The bodies that will supervise the process of reforming the accounting system in the near future in order to achieve compliance with the latest environmental international accounting standards must comply with international accounting standards by taking into account a set of the following elements and requirements:(Hadjadj, 2014/2015, p. 156).

The local environment must be compatible with the global environment, i.e. to conform to the characteristics of globalization in terms of institutional ization and in the IOSCO Council, foremost among them the World Trade Organization, its terms and conventions, the World Stock Exchange Organization and others;

The need to adapt and amend legislation, laws and regulations in accordance with international requirements and remove any conflict or non-conformity with them so as to facilitate the application of international standards in the fields of industry, trade, accounting, etc.;

-The need for technical and psychological adaptation of the country's citizens, which means technical adaptation is the use of modern technology in the field of

work in efficient ways and good possibilities, while psychological adaptation means that the citizens of the country accept the culture and trends of globalization;

- Compliance with international accountability standards requires an appropriate legislative infrastructure that contains effective law enforcement mechanisms and effective law enforcement bodies that require qualified cadres, adequate funding, legal support that complies with international standards and the use of an appropriate penal system in the event of non-compliance with IAS.

- Institutions must be prepared to apply international standards, which are an important factor for the success of applying international standards, through employing a sufficient number of highly experienced and qualified accountants by taking into account their ability to amend their accounting system to comply with the requirements of applying the international standards system.

Hence, in order to ensure the success of initiatives that are compatible with international standards, the issuing bodies international standards must be appropriate for all types of international economies, taking into account the needs of developing countries in general and Arab countries particularly, otherwise all efforts towards international compatibility of standards will not lead to the desired goals.

The need to adapt and amend legislation, laws and regulations in accordance with international requirements and remove any conflict or non-conformity with them so as to facilitate the application of international standards in the fields of industry, trade, accounting, etc.;

- The need for technical and psychological adaptation of the country's citizens, which means technical adaptation is the use of modern technology in the field of work in efficient ways and good possibilities, while psychological adaptation means that the citizens of the country accept the culture and trends of globalization;

- Compliance with international accountability standards requires an appropriate legislative infrastructure that contains effective law enforcement mechanisms and effective law enforcement bodies that require qualified cadres, adequate funding, legal support that complies with international standards and the use of an appropriate penal system in the event of non-compliance with IAS.

- Institutions must be prepared to apply international standards, which are an important factor for the success of applying international standards, through employing a sufficient number of highly experienced and qualified accountants by taking into account their ability to amend their accounting system to comply with the requirements of applying the international standards system.

Hence, in order to ensure the success of initiatives that are compatible with international standards, the issuing bodies international standards must be appropriate for all types of international economies, taking into account the needs of developing countries in general and Arab countries particularly, otherwise all efforts towards international compatibility of standards will not lead to the desired goals.

IV. Conclusion:

We note that the accounting reform in Algeria has gone through stages, the accounting reform has not only transfer accounting practices from the planned stage to the system stage, but rather shifted from stagnation to mobility, because the change was radical and not replacing account numbers as known some. The financial accounting system in Algeria has achieved a qualitative shift in the accounting culture from technically limited to theoretically interested practices, in addition to all of that, shifting Algerian accounting practices from practices originally designed to operate in accordance with the national environment to practices that can operate in accordance with international data by attempting to conform to the International Accounting Authority.

By analyzing the most important results of studies and researches related to the reality of accounting reform in Algeria in light of compatibility with international accounting standards taking into account the prevailing economic environment, the results of testing the hypotheses of this study were as follows:

- **The first hypothesis:** Accounting reform in Algeria focused on the preparation of the financial accounting system in accordance with the Financial Law of 2007 and all its decrees until the system was implemented in economic institutions in Algeria in 2010, this hypothesis was proven correct, as after applying the financial accounting system for more than 10 years, no changes have been made to it in line with the modernization of international standards and the requirements of the current Algerian economy.
- **The second hypothesis:** The most important challenges of applying the financial accounting system are the absence of an active financial market, the nature of Algerian economic institutions, the lack of efficiency and training in the developments of this system compared to the previous national accounting scheme, this hypothesis has been correctly proven, in addition to the presence of other difficulties in applying the latest developments of the financial accounting system as a conflict with some tax and commercial laws.

- **The third hypothesis:** The proposed mechanisms for promoting accounting reform in Algeria are through the development of Algerian accounting standards that are updated in accordance with the requirements of the economic environment in Algeria, such as the experience of Tunisia and the Kingdom of Morocco, This hypothesis has been proven to be true, in addition to the fact that the most important environmental factors for the success of accounting reform are the reactivation of the role of accounting bodies in Algeria, followed by the factor of laws and legislation, then the economic environment in terms of the degree of development and state intervention, and the degree of activity of the Algerian stock exchange to the extent of the reality of economic institutions.

Through this study the following conclusions are drawn:

- Accounting reform in Algeria is represented by preparing the financial accounting system, as its rules are derived from international accounting standards until the year 2004, even if not all accounting standards were adopted at that time, and the difference between them lies in the failure to keep pace with the changes that occurred to the standards, which are represented To cancel some of them, amend others, and add new financial reporting standards;
- The status and pattern of economic institutions in Algeria affect the success of the application of the financial accounting system, on the one hand, and on the other hand it has been suggested that the good application of the various rules of the financial accounting system is in the joint stock companies, followed by large, foreign and public institutions in the same order, then family, private and small institutions, as most of the economic institutions are private sector, thus the transparency of financial information extracted from the accounting system is not among their priorities, while the public sector in Algeria seeks to apply the rules of the accounting system and is subject to periodic control of the accounting system. This will negatively affect the good application of the rules of the financial accounting system, and the higher the number of foreign institutions, the greater the application of international accounting standards. In fact, in Algeria this category is few and therefore has no impact on the development of the accounting profession and the financial accounting system in Algeria;
- The financial accounting system is influenced by various economic laws directly or indirectly, and commercial and tax laws are among the most important laws that limit the application of the Algerian accounting system, where there are several accountants in Algeria who apply tax rules in case of disagreement with the principles of the financial accounting system, which will limit the good application of its rules, since the reform of the principles of the

accounting system can be applied without the difference with the tax law affecting their practice, so that the deferred taxes or separation between the accounting and the tax is used, In addition, the lack of application of some of the system's developments is due to the poor availability of the necessary techniques (e.g. experts in evaluation, information programmers, fair value determination).

In order to issue Algerian accounting standards within the framework of modernization the accounting reform, it must be taken into account that:

- The standards issuer of the National Council of Accountants (CNC) of Algeria enjoy independence and authority and be free from pressures, especially external, and its members are appointed on the basis of competence and experience and must have the necessary resources to fulfill its responsibilities;
- The standards issuer must work to protect public interests, which is reflected in the standards it issues, and the procedures for issuing standards must be open and transparent;
- Conducting in-depth research on the subject and publishing its findings, in order to contribute to the effective preparation for issuing the standard, and to seek the help of the other sciences that may have an impact on accounting;
- The issuance of the standard takes place only after a period does not take place until a period has passed after the problem was raised, and the study is conducted in order to leave the field for interested parties to express their views;
- A clear and detailed explanation of the reasons that led to the acceptance or rejection of an accounting standard, and in the event that the standard is complex or includes unusual procedures, it becomes necessary to provide practical examples and sometimes to provide guidance classes or training courses.

From this, the proposals to examine the role of accounting reform in achieving the requirements of good application of the financial accounting system are as follows:

- ✓ Issuing a legal provision allowing professionals to refer to the provisions of international standards in the absence of a local legal authority to deal with an issue.
- ✓ The government's policy of reducing the number of women in the public sector is a major challenge.
- ✓ Transforming the texts of the financial accounting system into national standards, whereby each standard is concerned with treating one element instead of treating one element in several texts as it is currently imposed, which will facilitate the follow-up of changes in each national standard - modification and cancellation easily (such as the experience of Tunisia);

- ✓ The best strategy for pursuing the reconciliation of the financial accounting system with international standards is to reconcile each national standard with an international standard in accordance with the Algerian environment, taking into account the experiences of countries with the same economic environment;
- ✓ The addition of interpretations of certain provisions of the accounting system (e.g. SIC) rather than the opinions of the National Accounting Board (CNC);

Algeria's National Accounting Council should urge professionals to attend seminars and meetings on the financial accounting system, which is one of its tasks.

V. Bibliographie List

- ❖ Zineb, H. (2013, June). The Role of Environmental Factors in Preparing the Accounting System for Enterprises in accordance with international accounting standards - Study of the Experience of Tunisia. issued by the Faculty of Economics, Business sciences and management sciences, Saad Dahalb Blida University.
- ❖ Ait Mohamed , M., & Bahri, S. (2009). Algeria's new financial accounting system, challenges and objectives. interventions within the international forum on the conceptual framework of the new system and its mechanisms for its application under IAS-IFRS. Faculty of Economics and Management Sciences: , Saad Dahalb University, Blida.
- ❖ Ben Belghaith, M. (2004). The Importance of Reforming the Accounting System of Institutions in the Context of International Unification, Doctoral Thesis in Economics. , Faculty of Economics and Management Science: , University of Algiers.
- ❖ Ben Belkacem, S. (2010). International Accounting System and Rationalization of Decision-Making in the Context of Globalization and The Development of Financial Markets, PhD in Economics. Faculty of Economics and Management Sciences: , University of Algiers.
- ❖ Ben Salih, A., & Abdelkader, A. (2013). Address entitled The Reality of Accounting Reform in the Maghreb countries in light of the international trend towards the application of international financial reporting standards (IFRS). the national forum on the financial accounting system in Algeria and its relationship to international standards IAS/IFRS, Faculty of Economicand Business and Management Sciences, Abdelhamid Ben Badis Mostaghanem University, .
- ❖ Eid Tijani , M., & Radwan, A. (s.d.). difficulties in applying the financial accounting system in small and medium enterprises in Algeria, previous reference.
- ❖ Lhasheshi, J. (2010). Jamal Lhasheshi, Enterprise Accounting and Collection according to the New Accounting System. , Blue Papers.
- ❖ Mesameh, M. (2010, 01 17). Algeria's new financial accounting system and the problem of applying international accounting standards in an unqualified economy. his entry into the first international forum on the new financial accounting system under the standards of 18_ International Accounting, Institute of Economicand Business and Management Sciences, University Center Wadi, Algeria.
- ❖ . (2019, 5 2). The application of the financial accounting system in economic institutions: reality and challenges - study of a sample of economic institutions in Algeria. National Forum on the evaluation of the application of the financial accounting system after ten years of practice, The Martyr University Center C. El-Haiss - Brika.

The role of accounting reform in achieving the requirements of optimum usage of the financial accounting system according to the mechanisms proposed for modernization

- ❖ 138-92, L., & LAW. (1992, 12 30). LAW 138-92 dated 30/12/1992 and endorsed the necessity of its application by the Moroccan National Council for Accounting (CNC) by Opinion No. 1 and 2 on 26/07/1993, which came into force on 01/01/1994 the main legislative text regulating commercial acco.
- ❖ Le nouveau plan comptable marocain. (2005). Casablanca, MAROC: collection legis plus.
- ❖ www.finances.gov. (2014). Consulté le 02 2014, 17, sur ma/.../259ED5EF15BD4888BA910C7802A8E796 consulté.: 10.30
- ❖ www.marocainedesexperts.com. (2014). Consulté le 01 04, 2014, sur 12:30
- ❖ Aboub.E. (2006). « Système comptable des entreprises et management », Tunisie: Les actes du colloque international de l'ordre des experts-comptables, Le Système Comptable des Entreprises : 10 Ans Après,.
- ❖ According to Resolution 57. (1996, 12 8). According to Resolution 57 the organization of jobs in the General Directorate of Accounting in the Ministry of Finance (DGC).
- ❖ Banque mondiale, m. (2002). Rapport sur le respect des normes et codes(RRNC) 25/07/2002 - Royaume de Maroc: comptabilité et audit. ,«www.worldbank.org/ifa/rosc_aa_mor_fre.pdf» .
- ❖ Besnoue, D. (2005). séminaire régionale sur le thème «audit et comptabilité» du 21 au 24 novembre 2005. Londres: www.euromedmarket.org/.../40121%20Report%20TUNISIA.pdf.
- ❖ Boufarah, A., & Dada, D. (2013, 01 13). , Financial Accounting System and its compatibility with international accounting standards. the National Forum entitled Financial Accounting System in Algeria and its relationship with International Standards (IAS/IFRS), Faculty of EconomicSciences, Business Sciences and Management Sciences. s Abdelhamid Ben Badis University, Mostaghanem .
- ❖ Boutin, M. (2005). General Accounting of the Foundation, Fifth Edition. Algeria: University Press Bureau.
- ❖ Cheaibe, C. (2008). IAS-IFRS Accounting, Part 1. Boudouaou, Algeria: Library of the Algerian Company.
- ❖ El-Hachemi, M. (2007). Un nouveau système pour un langage comptable universel. Magazine de l'économie et du partenariat international'actuel international , N° 85, novembre, 44-45.
- ❖ Executive Decree , D., & 02/98-61. (s.d.). No. 02/98-61 Official Gazette No. 4032.
- ❖ Hadjadj, Z. (2014/2015). The Ingredients for The Success of The Financial Accounting System in the Algerian Economic Environment, Ph.D. Faculty of Economic and Business Sciences and Management Sciences: - Blida University 2.
- ❖ Katosh , A. (s.d.). Requirements for the Application of the Common Accounting System (IAS/IFRS) in Algeria,. Journal of North African Economics, Issue 6.
- ❖ LAW, & 1-92-138. (1992, 12 30). 1-92-138 was issued in the Official Gazette of Morocco no. 4183 BO on 30 December 1992, representing the back of a degree of moroccan legislation, which comes after the Constitution and before the law.
- ❖ Law10-01, 1.-0. (2010). Law 10-01 of 29 January 2010 concerning the professions of the accountant, accounting governor and certified accountant. The Official Gazette of the Algerian Republic, issue 42,.
- ❖ M. o. (2005). Euro-Mediterranean Markets Forum.21/24/November 2005. London.
- ❖ Mabkhout, A. (2006). Système comptable des entreprises et Gouvernance des entreprises. Tunisie: Les actes du colloque international de l'ordre des experts comptables, Le Système Comptable des Entreprises : 10 Ans Après,.
- ❖ N°96-138, D., & Decree. (1996, 09 25). Decree No. 96-318 The council's powers are also enshrined in article 3 of the same decree.
- ❖ Rapport Ministèreale, M. (2018). L'état des entreprises étrangères installées en Algérie au 31/12/2018. <http://www.andi.dz/index.php/fr/statistique/creation-d-entreprises>.

- ❖ Sefahlo, R. (2016/2017). The importance of the Algerian financial accounting system's adaptation to international audit and audit standards (ISA) under its adoption of international accounting standards (IFRS, Doctoral thesis.
- ❖ Zegmare, A. (2011/2010). Amina Zgmar, Evaluation of the initial transition from the old system to the financial accounting system, master's note, accounting and auditing. University of Algiers 3.
- ❖ Mamari, O. (2018). new accounting reform requirements in Algeria in line with the trends of international financial reporting reporting standards (IFRS) and the creation of an appropriate accounting environment . Journal of Economic and Financial Research. VoluVolume 5, 2nd Issue.
- ❖ Bouneaja, S., & Boufileh, N. (2019). requirements for the development of accounting practices in Algeria under the adoption of the International Accounting Authority . Journal of Entrepreneurship business. Volume 05.