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Research Article

The Evolution of Accounting Normalization in Tunisia After Independence

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ABSTRACT

This paper is an attempt to understand the philosophy of accounting normalization in an emerging country (Tunisia). After independence, the public authorities opted for an accounting system that met the requirements of the national accounts since the economy was run. After and during the nineties of the last century, Tunisia entered the market economy and consequently it was forced to make an accounting reform closely modeled on the international reference system. In 2018, the Tunisian National Accounting Council announced the outright adoption of IFRS for financial institutions and consolidated accounts for all sectors of activity, starting in 2021.

Keywords: Normalization; Accounting plan of 1968; Companies accounting system of 1997; Type of economy

INTRODUCTION

Accounting is a function of its environment. Accounting systems develop according to the state of the economy, the type of economy, culture, etc. For a managed economy, the accounting system must be designed to meet the needs of the national economy. Accounting is the product of its environment. It varies according to its environment [1].

We will choose to study Tunisia to demonstrate that the accounting system evolves according to the country's economic policy, the state of the economy and international factors that go beyond the national will [2].

In fact, since the beginning of the 1970s, Tunisia has become aware of the weakness of local savings and has since continued to encourage foreign investment. In the 1970s, the Tunisian authorities used a lot of the tax instrument [3].

The first battle horse was the encouragement of the establishment of foreign companies with the law 72-38. The second was related to the establishment of foreign banks (off-shore) with laws 76-63 and 85-108. Since 1986 and with the adoption of the structural adjustment plan, several reforms were aimed at simplifying the tax system and boosting the financial market. These reforms were obviously aimed at encouraging the participation of taxpayers and draining savings into the financial market [4].

While Tunisia's conversion to the IASB's accounting rules is an essential signal policy for emerging countries, it is initially surprising because of the apparent weakness of its stakes for Tunisian companies themselves [5].

The examination of the official listing shows that a very small number of industrial and commercial companies appear on the financial market of Tunis, which is in itself an indicator of the size of companies in this country. In other words, even though there are probably many important family companies, very few of them seem to reach an international scale that justifies the scale of the reform. If, probably, the accounting system of 1997 was conceived in the future state of a highly internationalized Tunisian economy, the requirement of readability of the accounts of the companies of this country seems for the moment rather embryonic at the world level [6].

In what follows, we will study the notion of regulation (section 2) and the evolution of Tunisian accounting normalization since independence (section 3).

Accounting regulations

It is accepted that the evolution of the accounting is linked to that of the companies. The roles of this were multiplied over time. It served as a reminder of the commercial operations carried out and became a technique of accountability after the appearance of the contracts of mandate and the separation of the functions of owners and those of managers [7].

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Commercial and industrial growth requiring substantial capital inflows and capital investment accelerated the development of accounting rules and principles that led to costing and led to the specification of certain concepts such as capital and profit [8].

After the crisis of 1929, the problems of presentation and publication of the accounting information and identification of the methods used for their establishment were born [9].

In 1930, the accounting profession cooperated with the New York Stock Exchange (NYSE) to develop a list of widely used accounting principles. According to the publication of this list is one of the important documents in the history of accounting regulation and represents the basis of codification. The NYSE has forced the accounting profession to comply with these principles to limit the accounting choices used by companies.

The Securities and Exchange Commission was authorized to set the principles and dictate accounting practices. She has delegated her prerogatives to the American Institute of Accountants, one of the predecessors of the American Institute of Certified Public Accountants and has specified that it only accepts financial statements prepared in accordance with generally accepted accounting principles.

Accounting regulations were introduced in the United States after the events of the Great Depression (the 1929 crisis). According to problems were inherent in accounting leading to inefficient investment decisions. The advent of accounting regulations is accelerating the development of accounting by standardizing methods and procedures. According to the debates and ideas provoked by regulation stimulate the development of a real theory. In addition, accounting bodies become leaders in the development of accounting instead of governments.

Different arguments have been made about regulation. The arguments for regulation are advanced by considering that accounting information is a public good, and by the public interest theory and the economic interest group theory.

Accounting information is a good like any other that obeys the law of supply and demand. In the presence of a public good, we admit the existence of a real demand on the part of the users because they know that they pay nothing. Producers are encouraged not to produce a particular good or service which implies under-production of information.

To avoid market failure, regulation is required. In fact, in the absence of regulation, market failure can cost the community more than the normalization process. Normalization is fundamentally more of a political process than an economic one.

Regulations are put in place in the interest of the community rather than in private interests. Normalization bodies are considered as representatives of the community. Legislation is a balancing act between social interests and the social costs of regulation. The company needs to rely on capital markets to ensure the best allocation of resources to productive assets.

Regulation is seen as a mechanism to foster that trust. Two major problems arise: First, what is the optimal amount of regulation? It is impossible to satisfy everyone for a complex good like information. The second problem is more serious. How to motivate the settlement body to do a good job? They can work for their own sake rather than in the community's interest. We can therefore find ourselves in front of a principal-agent problem.

The economic interest group theory of regulation or private interest theory of regulation implies that groups are formed to protect their economic interests. Regulators are the different lobby groups (accounting profession, Financial Market Authority, employers 'and workers' unions). These pressure groups are in conflict with one another and form lobbying. Regulation provides a common denominator to share the interests of everyone.

This theory better predicts how regulation works in reality. It makes sense since it sees the regulation as a good (or commodity) for which there are claimants (financial market, labor market, market leaders, environmental protection group, consumer protection group, authorities tax advisors, planners, etc.) and suppliers (companies and organizations in general).

Arguments against regulation are advanced by free market theory. According to this theory, accounting information has to be treated like other goods. The forces of supply and demand must make it possible to impose optimal supply of information on the company.

The absence of information on the operations carried out implies that the managers manage the affairs in their interests. This means a lack of compatibility of the owners' objectives with those of the managers. Managers act opportunistically, therefore, in the absence of a protection mechanism, potential shareholders buy the shares at a reduced price and the lenders, in the presence of a high risk, demand a high interest.

Companies that do not publish information are penalized by high capital costs. The company is in a better position to determine the nature of the information to be produced and to increase the trust of funders. Imposing regulations may restrict the choice of accounting methods (for example, imposing a single depreciation method) and therefore the efficiency sought in negotiating contracts to reduce agency costs may not be achieved.

The information must be produced to minimize the cost of capital and increase the value of the business. So provide the information until its marginal cost equals its additional benefit.

The second argument is that in the absence of regulation, companies are motivated to disclose good and bad news about their financial situation and performance. The market appreciates silence as unpublished bad news.

Accounting regulation is considered an output of the political process because accounting information affects the distribution of wealth in society.

Conceptual frameworks stipulate that accounting information must have certain qualitative characteristics and that the economic and social consequences of accounting standards must be taken into account in their design.

Accounting standards are put in place to limit the margin of maneuver of preparers and therefore to regulate their accounting behavior which must be in the public interest.

Accounting normalization has been accelerated following the introduction of the Financial Accounting Standards Board (FASB) and the IASC currently known as the International Accounting Standards Board (IASB). The main objective of the FASB is to set up an accounting standard based on the search for a compromise and among the objectives of the IASB is to promote the acceptance and respect of accounting standards in the world.

The empirically examined the association between accounting regulation and its environment. They used two independent variables: the development index and the environmental index.

It take the ecological perspective to provide an integrated view of the national accounting scene. The accounting ecology is distinguished, between the countries, by the societal, organizational, professional, individual and accounting components of the environment.

The objective of study is to classify countries via the financial reporting practices of companies. According to the accounting systems used in developing countries are irrelevant to their needs because they come from western countries with different cultural values.

It has studied the causal relationship between accounting conservatism and national characteristics. These characteristics reflect the differential influence of factors such as managerial philosophy, structure and development of capital markets, legal obligations, professional accounting standards, and tax law that constitute a country's accounting policy system.

It research has shown that national accounting systems are influenced by environmental factors. In this context, cultural factors are not fully considered.

The difficulty of finding a coherent explanation of the causes of the diversity of accounting systems across countries is necessary. The literature review provides an assessment of the diversity of accounting systems and practices around the world. It identified nine groups from two classes: British influence groups and American influence groups.

Evolution of tunisian accounting normalization

Since the independence of Tunisia and until 1996, Tunisian companies apply the 1968 PCG. By the law of 30 December 1996, Tunisia has indeed abandoned its 1968 French-inspired accounting plan to adopt a system heavily modeled for the most part on the body of standards of the IASB.

The objective of the Tunisian accounting reform initiated by the 1986 Structural Adjustment Plan (PAS) was therefore to harmonize the financial statements of Tunisian companies with internationally recognized standards and practices. This reform is essentially based on the body of standards of the International Accounting Standards Committee (IASC) predecessor of the IASB.

Accounting plan of 1968 (the 1968 PCG)

The 1968 PCG was designed and implemented to meet the requirements of the national economy. An economy that was run at the time and corporate accounting provides indicators that allow decision-makers at the national level to calculate economic aggregates (value added, production, gross national product, etc.). The objectives were so to harmonize the language of business accounting with that of national accounting by determining the overall result and knowing its components.

The 1968 PCG was developed in the context of a managed economy.

The summary statements are the balance sheet, the four profit and loss accounts (production account, operating account, allocation account of the gross operating result, and allocation account of the net operating result) and the related tables. . It does not include the statement of cash flows.

Assets are fixed assets, operating values (inventories), realizable values (receivables) and available values. For liabilities, we distinguish between equity, debts with more than one year, and debts with less than one year.

The result is thus determined by 4 successive steps.

The first account is the one of production which comprises in products the production of the company and in charges the intermediate consumption of goods and services acquired outside and destroyed during the production. The production can be stored or sold outside or delivered to oneself. Intermediate consumption includes consumption of material stocks and production costs representing services provided by third parties.

The second account is the operating account, which includes, in addition to the added value, all elements directly related to the production activity and which can not be analyzed as production or intermediate consumption operations. These are personnel costs (internal operating expenses), indirect taxes and operating subsidies (production cost transfers) and miscellaneous expenses and income representing the same characteristics as the previous items. The operating account generates a balance called gross operating profit, which represents the cash flow from operations, the additional cash flow generated by current operations.

The third account is the allocation of gross operating profit. In addition to gross operating income, the latter includes expenses and structural products, thus highlighting the impact of fixed assets, production capacity and its method of financing. It has a balance called the net operating profit, which expresses the company's performance in its normal and current operations during the year.

The last account is the allocation of net operating profit which summarizes all the causes of variation in the structure and volume of the assets.

According to the 1968 PCG, the result is determined in successive stages using the language of national accounts.

The balances sought can be used to calculate economic aggregates. Thus, using the terms used by the 1968 PCG (p.19) to say that for the leaders of the national economy, the added value has the advantage of being a pleasant size: the product of the nation is obtained by summation of added value and not by adding turnover. For the contractor, it is the best indicator of the economic weight of his business and lends itself to all investigations concerning productivity.

The 1968 PCG contains a number of pages reserved for cost accounting (pp. 143-171) and details the different methods for calculating existing costs without identifying the preferable method.

However, it has implicitly favored the use of the method of rational imputation: "the differences of incorporation include, among others, the cost of the sub-activity. But, the appreciation of the

sub-activity although it falls within the competence of the head of enterprise, its consideration is recommended only if the reduction of activity of one or more sections risks to compromise the interpretation of the information generated by cost accounting ".

Companies accounting system of 1997

The corporate accounting system of 1997 is established in the international normalization effort since its structure (conceptual framework, accounting standards) considers international normalization as its source of inspiration.

Beyond its apparent inopportunity, the Tunisian accounting reform contains a contradiction related to the universality of its field of application. Its mandatory and undifferentiated use by all companies represents a cost of adaptation that seems disproportionate for small and medium-sized companies whose leaders are naturally little concerned by international accounting issues.

The Tunisian conceptual framework itself cites them as the main users of financial information, although it is more intended for third parties than for the internal management of the company. If implicitly this user status proves the weakness of the management tools available to them, it highlights above all the weak culture of managers in the area of business administration and in particular in accounting matters. In contrast to the homogeneity targeted by any form of normalization, the technical sophistication of the 1997 accounting system is likely to generate a certain disorder in the individual accounts and tax determination of Tunisian small and medium- sized enterprises.

In view of these contradictions, the structural adjustment plan and the investment code show that, in line with a very attractive economic policy for international capital, this reform was certainly aimed primarily at facilitating the establishment in Tunisia of foreign investors by subjecting them regardless of the size of their business to globally recognized accounting standards. In this logic, the reference to IASB standards is the manifest and rational expression of a will of this country.

The success of Tunisia's economic openness policy naturally depends on the degree of confidence that international investors will place in it. This confidence is due in fact to the political stability and solvency of the industrial and commercial enterprises of this country.

The companies accounting system of 1997 favored high-risk investors (shareholders, donors, etc.) with the aim of attracting foreign investors by providing them with better financial information.

A second category of people was, in our opinion, targeted by these reforms: the foreign investor. Indeed, Tunisia wanted to equip itself with modern structures in the image of developed countries to attract investors from these countries.

Foreign direct investment has been the concern of the Tunisian authorities for several years. They have become aware for some time that the financial market is the cornerstone. However, the efforts made until 1995 were more about the organization and functioning of this market. The raw material of this market has been relegated to the background. In fact, the investor in the financial market seeks before any decision to evaluate the return-risk relationship relative to his investment.

The evaluation of this pair depends primarily on the characteristics of the security and therefore the issuing company to be acquired. Accounting information plays a big role in shaping the investor's expectations about this couple.

This, in our opinion, is the crux of the problem and the objective sought by the reform of the Tunisian accounting system. Indeed, Tunisia wanted its companies to provide the foreign investor with accounting information similar to that of developed markets. The adoption of the IASB standards as a basic reference essentially aims at a better legibility of the financial statements of Tunisian companies capable of allowing local and foreign investors to make an objective assessment of the profitability and solvency of these companies and consequently to increase their trust in the recovery of their debt.

It is to be expected that a very small number of firms, the very large ones, will apply its most innovative aspects from international standards, and that the others will apply it in its more traditional aspects, stemming from PCT 1968. This accounting system of Tunisian companies is therefore flexible enough to give birth for a longer or shorter period and whose length will depend on the success of Tunisia's economic openness policy to a two-sector accounting practice ... "

Given the size of the majority of Tunisian companies, the valuation and presentation of accounting information did not significantly differ from those in force prior to 1997. Indeed, the accounting system of the companies of 1997 has planned innovative treatments related to events whose occurrence is rare in the daily life of Tunisian companies.

The majority of companies continue to:Apply the weighted average cost method for valuation of inventories (predominant method before 1997). The criterion of choice of method allowing a better attachment of the loads to the products is therefore not respected ;Accounting for expenses according to their nature ;Present the result state according to the authorized model ;

Even if the practices have not changed significantly, the companies accounting system of 1997 was conceived in the future state of a highly internationalized Tunisian economy.

Currently, the state of the Tunisian economy which is in unprecedented difficulty, the legal, fiscal, and financial legislation and the management style of the public administration are all constraining factors to the application of IFRS. The Tunisian national accounting council was selective and is well aware of the reality of business practice in Tunisia, having announced in 2018 that the adoption of IFRS will not be generalized and will only concern financial institutions and the preparation of consolidated financial statements of companies from all sectors of activity from 2021.

CONCLUSION

The objectives that were behind the accounting reform have not been achieved because in consulting the annual reports neither the accounting information has been enriched nor the legal texts have a real scope, nor the definitions have been understood and applied. In appearance, we see a presentation of information and accounting practices almost homogeneous, but by analyzing this apparent near-homogeneity, we find that the companies accounting system of 1997 is inapplicable in most cases.

This is why and given the nature of the operations carried out by the majority of Tunisian companies, the decision taken by the National Accounting Council to adopt IFRS from 2021 only concerns financial institutions and the preparation of consolidated accounts.

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