

## **The role of accounting in economic development: case of IFRS adoption in Western Africa**

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*L'adoption des normes comptables IFRS représente un enjeu économique majeur dans la région d'Afrique de l'Ouest. La visibilité internationale, le développement du secteur privé, la comparabilité des informations sont autant de critères qui justifient l'application des standards internationaux par les entreprises. Ces dernières se heurtent à diverses difficultés dans la mise en œuvre des normes IFRS liées en particulier à la culture, à la rapidité des changements imposés, aux différences notables avec le système en vigueur SYSCOHADA. Un système de communication fiable, une formation adéquate et la réduction du secteur informel sont les conditions de réussite d'un tel changement.*

**Mots-clés :** *développement économique, normes comptables, IFRS, SYSCOHADA, Afrique de l'Ouest.*

*The adoption of accounting standards IFRS represents a major economic challenge for West African region. International recognition, development of private sector, comparability of accounting information are among the reasons that justify the use of international standards by companies. However, these latter encounter difficulties in the setting of IFRS, due to countries' culture,*

*fast pace of change and significant divergences between SYSCOHADA and IFRS. The success of such transition is conditioned by several factors, such as reliable communication system, training and the reduction of informal sector.*

**Key-words:** *economic development, accounting standards, IFRS, SYSCOHADA, West Africa.*

*La adopción de las normas contables IFRS representa un reto mayor en la región de África del Oeste. La visibilidad internacional, el desarrollo del sector privado, la comparabilidad de las informaciones constituyen algunos de los criterios que justifican la aplicación de estándares internacionales para las empresas. Estas últimas se confrontan con diversas dificultades en la aplicación de las normas IFRS vinculadas en particular a la cultura, la rapidez de los cambios impuestos, las notables diferencias con el sistema en vigor SYSCOHADA. Un sistema de comunicación fiable, una formación adecuada y la reducción del sector informal son las condiciones de éxito de tal cambio.*

**Palabras claves:** *desarrollo económico, normas de contabilidad, IFRS, SYSCOHADA, África del Oeste.*

## 1. – Introduction

The Accounting, as a mean of communication for companies, reflects the economic and social progress of a country i.e. its level of development. It is considered as an instrument of social as well as macroeconomic regulation (Kurosawa, 1938), thus becoming a condition to the success of economic development (Pintaux, 2002; Boka, 2010). When the World Bank initiated the setting of IFRS in the early 2000's, it has insisted on this link between accounting and economy. IFRS is more than ever a stake in the development of many African countries that continue to experience higher growth. In 2015, GDP of developing Sub-Saharan Africa grew by 4.1% compared to 2.3% for the World (World Bank, 2015).

For most African countries, accounting is an important way to reach economic integration: many ex-colonized countries have, since their independence adopted a regional accounting system in order to be integrated to a region: this was the case of the accounting standards SYSCOA<sup>1</sup> common to Western Africa countries. The adoption of the international standards IFRS in the mid-2000's aimed at reaching international integration and recognition "*IFRS is the only way to improve financial information and avoid drift*" (Escaffre and Tort, 2012). For many African countries, it is the continuity of the privatization and the development of the private sector which started in the 1980's. Accounting issue is a vital concern for many countries in their process of growth; however as a practice and standards from industrialized countries, the question arises regarding its relevance in African countries. Despite the interest of the issue, few studies are devoted to the adoption of IFRS by African countries: Enthoven in 1977 analyzed the main factors that influence accounting systems in developing countries in general. Recent studies focused on Anglophone countries, namely Nigeria (Wallace, 1992; Uche, 2002, Owolabi and Iyoha, 2012) who has an edge on the other countries regarding standards adoption. When focusing on francophone countries, setting international standards turned out to be difficult. Only a few small developing countries have seemed to succeed in the process of standardization of their accounting system since it became mandatory in 2005. Despite the effort made by countries to adopt IFRS, studies have shown that the process of IFRS setting is facing barriers in its implementation. PwC in 2013 has concluded that only three francophone African countries Algeria, Tunisia and Morocco have really made IFRS whether compulsory or strongly required for their companies. In most African francophone countries, the existing accounting system is affected by the countries' characteristics: social, economic and environmental parameters inherited from colonization

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1. SYSCOA-SYSTème Comptable Ouest Africain – was created in 1993 under the influence of OHADA Organization for the Harmonization of African Business Law, organization that aims to harmonize business law in African countries, and has been developed on the initiative of the Central Bank of West African States.

OHADA is composed of three economic spaces :

- UEMOA - Union Economique et Monétaire Ouest Africaine (West African Economic and Monetary Union)
- CAEMC - Central African Economic and Monetary Community
- ECOWAS Economic Community of West Africa States composed of Benin, Burkina Faso, Ivory Coast, Cabo Verde, Gambia, Guinea, Guinée Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, Togolese Republic.

The accounting standards SYSCOA is more used by countries WAEMU and less by ECOWAS that use a system close to the anglo-saxon one.

(Enthoven, 1977; Parker, 1984), countries' history (Pintaux, 2002) and factors such as culture and education (Hofstede, 1980 and Parker, 1984). Besides, several actors with different expectations are involved in the process: local and regional professional bodies, international organization and government. We aim in our study to analyze the general context of IFRS adoption in Africa and its contribution to countries' economic development.

The paper is divided into five major sections. In Section 2, we present an overview of accounting in Africa: we will see the reasons that drive companies to IFRS and the difficulty they face to move from the current accounting standards to IFRS. The research methodology and the results of the study are presented and discussed in Section 3. Conclusions are drawn in Section 4.

## **2. – International standards in Africa in a context of change**

With a purpose of enhancing growth, African countries have been involved in the adoption of standards and practices from developed countries for several years: implementation of financial markets and adoption of IFRS have been among them. The process of IFRS setting started in 2005 at the time they have become compulsory in industrialized nations. But almost ten years later, the adoption is not yet effective in many francophone African countries. The first question arises concerning the reasons that drive many countries to IFRS adoption.

### **2.1. The necessary competitiveness of the private sector and the search for legitimacy**

Since IFRS is a practice and standards from industrialized countries, the question arises regarding its relevance in developing countries. The study made by DiMaggio and Powell in 1983 at the organizational level seems to be accurate to make analysis of countries' behavior regarding IFRS. The authors in their study of organizational behavior stated that "structural change in organizations seems less and less driven by competition or by the need for efficiency". In the institutional theory, they explain the more and more homogeneous organizational behavior and structure by the concept of isomorphism. "Isomorphism is a constraining process that forces one unit in a population to resemble other units that face the same set of environmental conditions" (DiMaggio and Powell, 1983). DiMaggio and Powell cited three reasons that explain this situation: the first

reason called coercive isomorphism is the political influence and the search for legitimacy; it is due to pressures from other organizations. The second reason, normative isomorphism, derives from pressure as well, but from the professions. The last reason mentioned is mimetic isomorphism which is mainly driven by uncertainty: an entity imitates other organizations that it considers as references. The institutional theory has been used as a reference in several studies on developing countries: Weber et al. (2009) in their study of stock exchanges creation in developing countries, Venard (2009) on the practice of corruption by African companies. In Accounting, coercive isomorphism was mainly mentioned as being at the origin of accounting normalization. According to Meyer and Rowan (1977), the use of international standards responds to a necessity for companies to be recognized by the main stakeholders and to get their support. Barbu and Piot (2012) explained the homogeneity of companies' behavior by identifying institutional isomorphism. They show that French companies which belong to main market indexes CAC 40, Euronext 100 and Next 150 are motivated by the search for legitimacy in their adoption of international standards; they conclude that coercive isomorphism prevails in French companies' behavior under the pressure of the European regulation and the French regulator. Their study leads to the conclusion that IAS/IFRS doesn't necessarily affect the quality of financial information. Regarding African countries, the adoption of IFRS seems to be more driven by mimetic isomorphism: African countries tend towards imitating developed countries that represent their references in order to be recognized and thus to gain legitimacy. Small countries, invisible on the international scene comply with institutional rules in order to establish their legitimacy and to obtain the necessary resources for their survival: while most industrialized countries have modified IFRS to suit their economic needs, conversely less developed countries have either adopted the IFRS standards entirely without any change or adapted their local accounting to IFRS (Rananjason, 2010)<sup>2</sup>.

One reason mentioned in the literature for IFRS adoption is the private sector. Going back through history, the development of the latter reinforced by the process of liberalization, was the main reason cited by the World Bank in its support of African countries for IFRS

2. Rananjason 2010 has mentioned the theory of "Neo-institutional sociology" in his study on the reform of the public sector in Madagascar where the government has implemented the international standards IPSAS -International Public Sector Accounting Standards- to elaborate its Public sector accounting plan - Plan Comptable des Opérations Publiques PCOP in 2006. IPSAS standards are inspired from the IFRS and aim to improve financial information in the public sector.

adoption. Privatization was a starting point in the process of liberalization in many developing countries. It has been one of the key features of successive governments' program in francophone Africa since the early 90's. The World Bank, the main actor in the process of privatization of many companies, was supporting different programs of privatization from the early 1990's to the early 2000's. One of the key points of these programs is the corporate governance which is considered as the main condition of the success of privatization. "Privatizations in developing countries that don't embrace a governance perspective will disappoint" (Dyck, 2001). Indeed, in countries where the informal<sup>3</sup> sector is prevailing and is a real barrier to the development of private sector, good Corporate Governance aims to improve firm's competitiveness and the relationship with all stakeholders. According to the World Bank, the use of international standards aims at reinforcing the practices of accounting and financial auditing as well as financial transparency in the private sector and public companies; as such it is a prerequisite for good corporate governance. In return, good corporate governance is a condition to the success of IFRS. In countries like Madagascar, 37% of firms considered practices in the informal sector as a major constraint. The adoption of international standards and the harmonization of the accounting practices by companies could be a way to make their activities more visible. Thus the use of the international Accounting standards IFRS is a necessary condition for the development of the private sector. For high income oil exporting countries like Saudi Arabia, the use of modern accounting techniques in the early 80s was due to the accelerated development of the private sector and the emergence of large companies with new governance characterized by the separation of management from ownership (Yapa & Wijewardena, 1995).

In conclusion, the development of the private sector is, for developing countries, a way to reinforce their position on the international scene but it is not sustainable without being reinforced by their legitimacy. Regarding Africa, one notices that legitimacy is prevailing in francophone countries as a reason for IFRS adoption. Owolabi and Iyoha (2012) didn't mention the search for legitimacy among the factors that affect the adoption of IFRS in Nigeria, but insist more on efficiency. The authors pointed out that in addition to the search for efficiency, IFRS adoption in Nigeria is driven by network effect as well: network effect is said to exist where users find

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3. The informal sector is a part of the economy that is not monitored by the government and is not taxed in consequence.

a product or service more valuable as additional users use the same product or service. This concept is close to the mimetic isomorphism of DiMaggio and Powell (1983).

It becomes evident that IFRS adoption is a stake in the development of African countries. However, difficulties arise when moving from a regional accounting system to international standards.

## **2.2. Moving from a regional accounting system to international standards**

For a long time, integration has played a primary role in the development of many African countries; integrated countries attracting more firms because of better access provided to regional markets (Motta and Norman, 1996; Puga and Venables, 1997). Trade harmonization has for a long time been the most popular way to strengthen the integration of countries within a region. The other form of integration, more recent and more technical is through the harmonization of accounting practices. Whether in trade or accounting, regionalization always faces difficulties due to the difference between countries. Coulibaly (2006) pointed out the failure of trade harmonization within these last years, which is due to strong asymmetry between countries, namely in infrastructures: hub country serves as the main gateway to the outside world, but in counterpart, it benefits more from the gain of the region, it was the case of the East African Community that collapsed in 1977 due to the hub position of Kenya among other things (Hazlewood, 1979). We will see that in accounting, such issue doesn't necessarily drive to the dissolution of a grouping, but does strongly affect the accounting system of the countries by creating certain confusion.

We emphasize that regional harmonization is an important part of accounting history in francophone countries and has preceded international standardization for a long time. Indeed, before reaching unique standards, harmonization and normalization enabled countries to ensure convergence of their standards and accounting practices. Many African countries started the regional harmonization of their accounting standards after their independence; it was driven by the need to belong to an entity. The setting of a unique accounting system in the region, called "regional accounting system"<sup>4</sup>, was decisive in

4. A regional accounting system is a set of methods, procedures common to countries in a region. The OHADA (Organization for the Harmonization of Business Law in Africa) region, composed of 17 francophone countries in West and Central Africa, uses a unique accounting system. We refer to the notion "regional accounting system" to underline the fact that the accounting system is specific to the region. This is all the

the integration of francophone countries in the UEMOA region<sup>5</sup>. It started with the implementation of the first regional accounting standards in Western Africa and Madagascar known as the OCAM<sup>6</sup> created in 1965. From this association was launched the “Plan Comptable Général OCAM” that took into account, in addition to the French plan comptable general, the specificity of the region and of each country member. It aims not only to develop the integration of the members to the region but also to disclose reliable macroeconomic information to economists and statisticians. It has elaborated mostly by French experts (Ngantchou, 2011) and replicated the French PCG 1957. According to Pintaux (2002), the plan comptable general OCAM has even inspired the French plan comptable général 1982 from all considerations. PCG OCAM was set up in order to underline the regionalization of western African countries and was an attempt to a regional normalization. However, this attempt to harmonize in a regional context was not really successful due to the difficulty to harmonize standards between countries on the one hand and to harmonize local and regional context on the other hand. Indeed, countries have maintained their specific features, their accounting system being closely linked to their cultures, their history (Hofstede, 1980; Parker, 1984; Nobes and Parker, 2006): thus, there was a Senegalese OCAM as well as an Ivorian OCAM and a Beninese OCAM. Nobes and Parker (2006) stated that harmonization aims to reduce differences in practices among countries in order to make them “compatible”. Its flexibility which authorizes a variety of practices by trying to establish equivalencies among countries is an obstacle to the standardization that comes after (Colasse, 2000)<sup>7</sup>. Alexander and Servalli (2003) cited five dichotomies that influence the accounting

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more important as accounting standards vary across Africa. Countries in the SADC (Southern African Development Community) and COMESA (Common Market for Eastern and Southern Africa) regions, more influenced by Anglo-Saxon culture require IFRS to be used for both consolidated and standalone financial statements, whereas financial statements are organized in accordance with the OHADA accounting framework.

5. UEMOA Union Economique et Monétaire Ouest-Africain - WAEMU West African Economic and Monetary Union has long had a single currency and a common monetary policy, based on a special relationship with France, and in which the regional integration process is far more advanced than elsewhere in Africa IMF. It is composed of eight countries: Benin, Burkina Faso, Senegal, Guinee Bissau, Ivory Coast, Mali, Niger, Togo. UEMOA is part of OHADA region.

6. OCAM Organisation Commune des Etats Africains Malgache et Mauricien – West African Economic Union.

7. Adoption of international standards follows three stages: harmonization, normalization and standardization. In the last stage, ie standardization, countries adopt a unique rule, totally consistent and universally implemented P. Garrido and *ali*, 2002.



system of a country. These are single national context, regional context, global context, a size of entity context and a user needs context. For African countries members of the OCAM, there was dichotomy between a single national context and a regional context. By the end of 90's, the OCAM was abandoned in favor of the SYSCOA. The particularity of the SYSCOA is its characteristics, still close to the French accounting but with an attempt to get closer to the Anglo-Saxon accounting system (Ngantchou, 2011). New objectives were assigned to the setting of SYSCOA, some of them are drawn up from IFRS such as efficiency of accounting control, while others are proper to the region and underlined the necessity to help and encourage companies in the informal sector maintain a regular Accountancy. In 2001, with the adoption of the uniform act OHADA, a new accounting system called SYSCOHADA was set up. It involves a broader sample of countries, including countries of UEMOA region. As mentioned before, the use of a regional accounting system represents an answer to a real desire of economic integration in the area and is a pattern to get legitimacy in the region. It appears that the regional legitimacy African countries were searching for after their independence is more pragmatic and to some extent cognitive, according to the definition of Schuman (1995). With the necessity to set IFRS, there is a new form of dichotomy "regional-international" in addition to the former one "national-regional". Ten years after IFRS have become compulsory in industrialized countries, West African countries have faced the dilemma between setting international standards, which is the only way to support the current development and to be recognized internationally, and keeping regional accounting system in order to maintain regional integration. This dichotomy has primarily impacted the development of the accounting system in many francophone countries and is a real concern. The comparison between Francophone and Anglophone countries confirms the impact of regionalization: IFRS setting is easier in Anglophone countries which have directly moved from their local GAAP to IFRS.

Difficulties faced by francophone countries to set the same regional standards don't ease the transition to IFRS due to the double dichotomies "local-regional" and "regional-international". Subsidiaries of multinational companies are presenting their accounts simultaneously under SYSCOHADA and under IFRS for group reporting. Many legal entities are still using the former SYSCOA for practical reasons. The table below shows examples of differences between the SYSCOHADA standards and IFRS that explain partially the complexity of the conversion process. There is a conflict between principles, objectives and even logics behind IFRS: the transition from

a cash-basis to an accrual-basis accounting as well as the use of fair value have been cited as among the major issues in IFRS adoption.

These differences may lead to a problem of taxation, asset valuation, thus making stakeholders reluctant to IFRS adoption.

**Table 1** – Why transition to IFRS is difficult for OHADA countries?  
Examples of divergences between SYSCOHADA and IFRS

	OHADA	IFRS
Asset Pricing	Historical value	Fair value
Financial statements	Balance sheet, income statement, supply and use table, notes	Statement of financial position (balance sheet), statement of profit and loss and other comprehensive income, statement of changes in owner's equity, statement of cash flows, notes to the financial statements
Income statement	Four levels of analysis (nine margins): - Operating activities - Financing activities - Non-operating activities - Net income	Two presentations of income statement: - Statement of profit and loss (realized income) - Other comprehensive income (unrealized gains or losses)
Startup costs	Recorded as an asset in the balance sheet	Recorded as an expense in the statement of profit & loss (IAS16)
Deferred charges	Recorded as an asset in the balance sheet	Recorded as an expense or included in the value of related non-current asset
Government grants	Recorded in the balance sheet as resource	Recorded as deferred income, or deducted from the asset's carrying amount.(IAS20)
Regulated provisions	Recorded as a liability in the statement of financial position	Not recorded as a liability in the statement of financial position
Goodwill	No amortization	Amortized with an estimated useful life (IAS38)

Source: Table is set from a comparative analysis made by Mbadiffo (2003) and Gueye (2009), as well as the website [iasplus.com](http://iasplus.com)

In our study, we try to understand how companies in the West African region manage to set IFRS and what are the opinions of main stakeholders, i.e. managers and auditors on IFRS adoption by their companies and their countries.

### 3. – Our Research

#### 3.1. Methodology

To perform our work, the methodology used is a case study. Our analysis is exploratory and qualitative in nature, as such the objective is to describe, explore and explain phenomena being studied (Marshall, 1995). Case study is suitable to our “how” and “why” questions regarding IFRS setting in Francophone Africa (Yin, 2002), the exploratory nature of our analysis is motivated by the fact that few studies have been devoted to the topic so far (Gagnon, 2005).

Our sample is constituted of francophone countries in the West-African area. The language used for communication is French. Our respondents are located in three countries which are Burkina Faso, Senegal and Benin. They are among the best-performing countries in the Sub-Saharan region: Benin with a GDP Growth of 5% is doing better than the average (4.6%). For Senegal, the growth rate of 4.8% is slightly higher than the average as well (World Bank, 2015). For Burkina Faso, even if growth rate is 4.4% in 2015, there is an expectation of a high increase in 2016 (forecast of the World Bank: 6%). In addition, Benin and Senegal are among the top Western African countries where government makes great effort in the development of the private sector: in the period 2010-2014, domestic credit to private is amongst the highest in Senegal with 33% of GDP whereas in Benin it is above the average with a percentage of 24.9.<sup>8</sup> In Burkina-Faso, education is a priority of the government, the University of Burkina Faso is ranked n°1 in French-speaking Africa and 18<sup>th</sup> in Africa.

Our survey has been conducted mainly with local subsidiaries of international groups which accounts are consolidated under IFRS outside Africa. The reason that leads these companies to IFRS adoption is first of all practical. Indeed, they are asked to transfer rapidly to the Group individual accounts for the consolidation.

The survey was conducted in two stages. In the first stage, our objective is to have global feed-back from managers and auditors about IFRS implementation in companies where they are operating. Respondents are composed of two categories of practitioners: internal to companies, CEO, CFO, Chief Accountants as setters and users of Reporting, and outside companies, auditors who operate in Africa

8. According to the World Bank data in 2015, domestic credit to private sectors in percentage of GDP are as follows : Burkina Faso 23.4%, Cameroon 14.8%, Central African Republic 14.9%, Chad 5.8%, Côte d'Ivoire 18.4%, Gabon 13.7%, Ghana 17%, Kenya 31.6%, Malawi 18.5%, Niger 14.2%, Nigeria 12.6%, Togo 32.2%.

mainly as writers of audit report. The content of the questionnaire is adapted to the interviewee, whether auditor (Table 2) or manager. At this stage, the questionnaire is transmitted to African contacts in France who forwarded them to their acquaintances in Africa. In consequence, a description of the research, i.e. a presentation of the objectives and the framework of our analysis is included in the questionnaire in order to clarify the objective of our study as we are not directly in contact with respondents. The questionnaire aimed at understanding the general context of IFRS setting in African countries. Semi-structured format is the most suitable, as greatest freedom should be given to respondents who are encouraged to express their own opinions and experiences. The questionnaire is split into three parts: the first two parts include “primary questions” that introduce the subject and serve as guide in the interview, whereas the third part includes “opinion questions” on the contribution of IFRS adoption in African companies. Opinion questions give respondents the possibility to make recommendation as well. The structure of the questionnaire is as follows:

- The introduction describes the study, its objective and the methodology used.
- The first part treats the general context of IFRS implementation. It includes questions related to:
  - the activities of the company,
  - the reasons that drive the company to IFRS adoption,
  - the adoption process,
  - and difficulties encountered.
- The second part focuses on the main stakeholders: a list of national and international entities is set, interviewees have to select those who play a role whether in legal entities or in subsidiaries of international Group (consolidated accounts).
- In the third part of the questionnaire, interviewees are asked to give their opinions and their criticisms towards IFRS adoption by the related countries and/or companies. This part includes only open questions.

The second stage of our survey consists of closed end questionnaire (Appendix 1) dedicated to companies’ employees that include mainly accountants, the objective being to confront answers of operational with those of managers and auditors in the first stage.

A major limitation of the study is the absence of face-to-face contact in the process of data collection. We could not include

investigation questions, as recommended by Rubin & Rubin (1995) to complete or clarify some answers. However, general comments inserted at the end of the questionnaire ease our analysis and help us understand respondents' point of view. Another limitation is related to the difficulty to get answers. The small number of respondents may be a limitation for a future research, as few companies implement IFRS standards so far: only 5% of audited companies use IFRS standards. The second questionnaire (closed-end) enables us to validate the first one.

**Table 2** – Semi-structured questionnaire for auditor

<p><b>1. IFRS Adoption</b></p> <p>1.1. What is the percentage of companies that use IFRS standards in the country you are operating?</p> <p>1.2. Since when do they use IFRS?</p> <p>1.3. What are the main reasons of IFRS adoption?</p> <p>1.4. Did they benefit from any support in the setting of standards?</p> <p>1. If yes, what kind of support? From which entities?</p> <p>1.5. What are the different stages of IFRS setting?</p> <p>1.6. Does IFRS adoption by companies affect to some extent your activities as auditor?</p> <p>1.7. Are IFRS standards easy (or difficult) to set up in the country you are operating?</p> <p>2. What are the reasons of the success (difficulty)? (list of factors<sup>(*)</sup> that may affect the setting up of standards is provided in a table).</p> <p>1.8. What accounting system subsists in the country apart from IFRS?</p> <p>3. Is it a local, a regional, or an international system?</p> <p>1.9. Do companies use an accounting plan?</p> <p>1.10. According to you, is IFRS useful for companies?</p> <p><b>2. Stakeholders</b></p> <p>2.1. What are the main stakeholders in IFRS setting? (a list is set)</p> <p>2.2. What are their roles in IFRS setting?</p> <p>2.3. Who are the main users of accounting information?</p> <p><b>3. Advantages of IFRS adoption</b></p> <p>3.1. According to you, what are the advantages of IFRS setting?</p> <p>3.2. What are your criticisms : Regarding the procedure? Regarding the objectives?</p> <p>3.3. What are the conditions for a successful implementation?</p> <p>3.4. General comments</p>
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(\*) It includes on one hand factors related to country, such as political, economic, cultural factors, factors related to taxation and on other hand, factors related to companies that involve accounting systems, characteristics (size, industry, etc.), social factors (support or reluctance to IFRS adoption). Respondents have the possibility to choose the item “other”.

### 3.2. Results

4.

Questionnaires have been sent to two managers and two auditors from three countries. Managers operate in subsidiaries of international Groups. The implementation of IFRS started in 2013-2014, even if it was scheduled 7 years ago. The designations employed for companies are letter “A” (company located in Senegal) and letter “B” (company located in Burkina Faso). Both companies belong respectively to the tourism and the banking industry. They have adopted IFRS to prepare and report their consolidated financial statements. The two auditors are from Benin and Senegal. Our analysis focuses on the following points: the general context of implementation, difficulties faced by companies, advantages of IFRS setting and the question of isomorphism.

- Regarding the general context of implementation: in the company “A”, the process is managed by a piloting committee composed of Company’s Chief Financial Officer, Financial Controller and External Auditor<sup>9</sup>. It starts with a request from the company to external auditors for a diagnosis of its financial practices SYSCOHADA vs IFRS standards, its internal procedures and the process of the Group, in order to identify technical impact and to assess the key issues. In the second step, implications of IFRS standards are analyzed and treated, then manual for accounting procedures is reviewed and adapted. During these phases, auditors are heavily committed and bring their expertise to companies, helping them to adapt their accounting standards to IFRS. In the company “B”, the introduction of IFRS was done in a phased manner through information and training in different departments of the entity: in the general management department first, financial management department thereafter and front office composed of commercial team at the end of the process. The training took place outside the country, in the Group’s headquarter. Training is provided whether by auditors or by experts from the parent company. Respondents generally agreed that the role of training is primary since the adoption process is heavy and “off putting”. In company “A”, auditor played a primary role in training, and has supported the company all along the process.

9. In Francophone African countries, like in France, there is a clear distinction between internal auditors who are companies’ employees and external auditors or “*commissaires aux comptes*” who work in consulting firms.

- Concerning difficulties faced by companies: shifting from a regional accounting system to international standards turns out to be difficult: indeed each country has its legal, cultural and political frames that might represent obstacles to an immediate full adoption of the new standards. Differences in culture and education (Hofstede 1980, Parker 1984, Wolk and Heaston 1992) are some of the reasons that make transition complex. In most countries, the adoption has not been completed by the expected date and is still constantly being put off to the future. The disparity in the achievement of the progress shows us the difficulty faced by some countries. For company “A”, the adoption is effective, in company “B” the adoption is in progress. The implementation is all the more difficult in Africa due to a risky and ever-changing environment dominated by political crises, low economic development, bad corporate governance, cultural and institutional resistance as well as complicated accounting systems. In the first questionnaire administered to auditors and managers, we propose all these items as reasons of difficulties in IFRS adoption. It appears that political and economic factors don't represent obstacles at all as they are not selected by any respondent, in contrast to studies made by Haller (2002) in industrialized countries. The role of the State is minor regarding the process itself; however, the State could be a major actor as signatory of the act that makes IFRS mandatory in the country. Culture and training are among the items selected by respondents. The reluctance of companies to a change is a big issue, one respondent underlines that “fear of change is a real problem in Africa, especially when the change is sudden; it is part of our culture”. Weber et al. (2009) made a similar study on the setting of financial markets in developing countries. They come to the same conclusion that difficulties to set stock markets in African countries are due to the characteristics of these latter, namely their culture. Training is an important factor as well. We did not include it in the list of factors that explain difficulties to implement IFRS, but it was automatically cited by all respondents. Right now, IFRS is not being taught in francophone countries, except in countries that are influenced to some extent by Anglo-Saxon cultures. This is the case of Cameroon with an Anglophone university located in the British Cameroons (Southern Cameroons) where IFRS standards are taught. So far, the only accounting system taught in West African universities is the SYSCOHADA, an accounting system that is endorsed by the government and the accounting profession. The CESAG, an Academy in Accounting located in Senegal is one of the few universities that teach IFRS in Francophone Africa. For company “A”, the role of auditors in training employees to IFRS standards was major. Auditors



mentioned that few of them are qualified in IFRS, this is a real issue because the shortage of accountants and auditors qualified in IFRS may result in weak accounting and auditing regimes. Along with training and culture, taxation is an issue for companies who should move directly from their current standards to IFRS, as it is the case for company “A”: “The change in the income drives to additional taxation fees”. Table 1 (page 10) shows the differences between SYSCOHADA and IFRS conceptual frameworks which lead to different levels of income: the introduction of IFRS has resulted to a wide gap between accounting and tax treatments of some transactions. One notes that taxation may drive to certain reluctance from companies as well as from the government due to changes in the income, which lead to additional or less taxation. According to auditors, taxation is not an issue as taxes are calculated under the OHADA rule. Nevertheless, even if taxation is not a real issue right now, it might become one in the future. Respondents suggest that taxation policy should be managed by each country as long as a “uniform act on taxation” is not set in the region.

To conclude on difficulties related to IFRS adoption, the use of fair value over historical valuation is among the most important problems that need to be addressed. According to an auditor, « the notion of « fair value » is the key stone of IFRS standards. Fair value must be balanced with market price. But, getting the relevant market price is difficult as it requires a good communication system and the availability of economic information. Or, in western African countries, the prevalence of informal sector doesn't make it possible.”<sup>10</sup>

- In our study, we refer to the neo-institutional theory of DiMaggio and Powell (1983) to analyze how the environment of countries and companies affects their decision to adopt IFRS. This requires an understanding of the roles played by the different actors. Regarding the way standards are implemented, as we have pointed out, companies benefited from the help of auditors. Other professional bodies such as Association of Accounting Experts play a certain role as well, while government and national regulators play a minor role. Respondents don't mention any pressure, neither from these latter nor from other international entities. This is in contradiction with studies conducted in industrialized countries, where regulators' pressure was

10. Statement in French : « *La notion de juste valeur constitue la clé de voûte des Normes IFRS. Qui dit juste valeur dit prix de marché. Et pour avoir le prix de marché il faut un bon système de communication et de mise à disposition des informations économiques. Ce qui n'est pas actuellement le cas dans les pays de l'Afrique de l'Ouest où l'économie informelle est encore très fortement ancrée.* »

cited as main driver of IFRS adoption (Barbu and Piot, 2012)<sup>11</sup>. From our study, government is not involved in IFRS setting regarding subsidiaries of International Group whereby stakeholders are shareholders, national regulators, professional bodies Association of accounting experts and auditors who play the primary role with financial controllers and CEOs. In contrast with studies of Colasse (2005), Walton (2009) and Barbu and Piot (2012), we get ahead of ourselves by concluding to a non-existence of coercive isomorphism in the adoption of IFRS. As regards legal entities, the Government plays a minor role as well. The absence of pressure from the State was considered as a drawback. “In the West African region, Accounting is a constraint for most companies. As long as law doesn’t make IFRS compulsory, initiative to adopt the international standards won’t come from companies themselves.”

- It is unanimously agreed that, by making information more transparent (example of cash-flow information) and reliable, IFRS will definitely contribute to the development of African countries. They provide accounting infrastructure that helps developing countries in promoting their economic growth (Larson and Kenny, 1996). The use of IFRS is particularly required in the OHADA countries where international group subsidiaries are now established. According to interviewees, adoption of unique standards has become unavoidable for practical and technical reasons: subsidiaries have to pull up reporting to the Group for consolidation. This requires rapidity and mastering of international standards. “Reporting in an international and harmonized language is a concern” for those companies who belong to a Group. Auditors in our sample mentioned that the adoption of IFRS by companies eases their work by making it possible historical analysis and comparison between companies. It makes easier the interpretation of companies’ accounts by users. IFRS has facilitated cross-border comparisons (Ball, 2006 and Choi & Meek, 2010). Thanks to the use of unique international standards, information is no longer affected by the features of the country, such as taxation, corporate law, etc.

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11. Barbu and Piot 2012 conducted their study with CEO of companies that belong to the CAC40, Euronext 100 and Next 150 market indexes. I the point of view of 78% of CEO interviewed and people who dealt with financial information within the companies, decision to adopt IFRS standards is more due to political influences, regulators’ pressure, namely the French national regulatory CNC Conseil National de Comptabilité. However, this is particularly true for companies that have only adopted IFRS since 2005, when it has become mandatory. The influence of auditors is lower for companies that have anticipated the change, it is stronger for those who have had to deal with IFRS from 2005 on.

#### 4. – Conclusion

This study aimed at analyzing the general context of setting the international accounting standards IFRS in West African countries. It is of particular relevance not only because IFRS is a condition to the development of many countries in this area, but because it is a long lasting process. Indeed, at the time many developing countries started the process of liberalization in 90's, IFRS have already been cited as the standards which help them in promoting their economic growth by providing an accurate accounting infrastructure (Larson and Kenny, 1996) ; the adoption of IFRS is the only way to guarantee trustworthy accounting information from developing countries (Bekaoui, 1999). These statements are still relevant nowadays. Additionally, the use of unique international standards might contribute to the reliability of the information and should ease the comparability of the accounting information over time and with other companies. This is the case for many subsidiaries of international group. Managers and accounting leaders in interviewed companies are unanimous regarding the necessity of their companies in adopting IFRS. There is no reference to international pressure, driving us to the conclusion of the absence of coercive isomorphism. Despite the advantages companies can draw from the use of IFRS, they face some difficulties related to the complexity of the process and the gap between IFRS and the current accounting system which is SYSCOHADA. The help of auditors in the process was underlined, and the lack of training is cited as one of the major obstacles in IFRS adoption. Based on this, we put forward the necessity to promote the learning of IFRS in Africa. The commitment of professionals not only in the writing of the standards but also all along the process is unavoidable for the success of IFRS setting. IFRS should definitely be an integral part of College curriculum.

Standards and rules govern life of countries and organizations. Tetranormalization identifies four standards, in accounting & finance, trade, human relations and environment (Savall & Zardet, 2005). Conversion to IFRS is an ongoing process, so is the Basel regulation. Are Western African companies prepared enough to deal with these standards?

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## APPENDIX

### Closed-end questionnaire

Does your company use IFRS standards


Since when?

What are the reasons that drive your company to IFRS adoption?

International activities

Subsidiary of international Group

Size (Big company)

Local regulation

International pressure

Other


The process of adoption

Does your company benefit from external support in the adoption?

Audit and consulting firm

Government

Other entities

Do you get trained?


Was standards setting difficult?

Yes

No


What are the reasons of this difficulty?

Lack of training

Too many stakeholders




Problem of communication	
Sudden change	
Too important change	
Other	

What are the advantages of IFRS adoption?

Information transparency	
Credibility of the organization	
International recognition	
Another advantage	
No advantage	

Is the adoption of IFRS necessary for your company?

Yes	
No	

Does IFRS adoption contribute to the country's development ?

Yes	
No	

What are the obstacles to IFRS adoption in your country?

Political	
Social	
Financial	
Bad governance	
Low involvement of professionals	
Taxation system	
Other	

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