Ohada Accounting Standards and Financial Information on Partners of Cameroonian Enterprises

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Abstract

The financial information as a reflection of disseminated to third image is not dependent on the accounting organization in SMEs. Modeling techniques and the results of accounting valuation principles have no impact on the results and financial position. However, individual realities describe the relationship between standardized accounting standards, the legal status and the nature of the information provided to business partners' behaviors.

Keywords: Financial Information - Accounting Standards - Faithful Image

Introduction

Information for the enterprise, is simultaneously an instrument of knowledge and a means to reduce the uncertainty and complexity of the environment. It is the raw material of any decision and the basis of all management systems. Therefore, it is a strategic data given that the company must organize and manage. The appropriateness of decisions - particularly those relating to the general policy of the company – the performance and overall efficiency then depends on the ability of the company to construct information and communication systems appropriate both internally and externally with stakeholders of its environment.

For external users, accounting as a process of development and publication of the annual accounts, the source of financial information used to assess the performance of a company and help decision making. In addition to being a means of proof, it equates to a management technique (Ekouthé, 2006). In the Cameroonian context, the function of management and the control of the company are in most cases combined, which is a real problem of relevance and reliability of information from business partners and especially SMEs.

Because of the decisions associated with it, accounting cannot be perceived through its technical role which binds to the satisfaction of needed existing information. Instead, it shapes the economic environment, discusses the political sphere and thus raises the reaction of the users. However, the notion of accounting information users covers a diverse set of needs. Initially restricted to the managers of capital owners and creditors, acceptance of financial reporting has gradually extended to government (including tax), in the overall market (shareholders, investors, financial analysts), and more recently to employees and the general public (Casta, 1997) and even competitors (Mayéglè and Nguidjol Ngo, 2012). However, structural contingency (organizational) and behavioral (profile-related accounting actors of SMEs) factors influence the accounting information system (Chenhall, 2003; Lavigne, 1997 and 2002; Chapellier, 1994; Lacombe-Saboly, 1994; Holmes and Nicolis, 1988; Raymond, 1984; 2000; Ngongang, 2007) and therefore the production of financial information it conveys. SMEs in general and Cameroon in particular are structures in which the accounting information system does not occupy an important place. Organization of accounting is often inadequate or nonexistent. These characteristics reveal contingent factors, especially those of a structural nature, such as constraints faced by the leaders of these enterprises as the main actors in the production of this financial information within their businesses and whose profile is one of the guarantees of reliability. Also, looking for an exact image does not lead to waive accounting principles? This representation of the true picture in the Cameroonian SMEs is sandwiched between on the one hand the rules laid down for the establishment of accounting information and the complex and multifaceted reality of these types of businesses on the other.

What is the impact of accounting organization on the purpose of the true picture assigned to accounting? In other words, we demand to know what is the impact of modeling techniques on the result of information provided to partners of SMEs? This finally returns to the question of the impact of assessment principles on the financial statements. These are the questions that this article aims to provide answers.

I- Financial Information between Creative Accounting and the True Picture

By imposing on annual accounts to give a picture of the assets, financial position and results of the company, the concept of the true picture is partitioned between the establishment of accounting and financial information about the company, and the complex and multifaceted reality of the business itself. It results from the use of community rules competently and in good faith. It has as objective to verify that the information provided is complete, in conformity to reality, clear and useful. The true picture is fragile because it is incomplete and manipulated.

Creative or imaginative accounting refers to the accounting practices of some companies often at the limit of legality. In the French academic literature, it refers to "result management" (Meyssonnier and Ben-Amar, 2007; Mard, 2005). It includes the exercise of discretion of the executive in order to influence the results disseminated to stakeholders (Degeorge *et al,* 1999). One consequence of this situation is that it influences the contractual issues that are based on the accounting standards, as well as misleading on the actual performance of the company (Le Maux, 2004). They help, under pressure from the markets (Autret Galichon; 2003), to embellish the image that accounting provides relative to their situation and their economic and financial performance. Companies have the option of using to their best, the different accounting methods and staying in a legal framework, modifying the format and content of their financial statements. Consequently, the image portrayed the financial position of the company is the result of a set of signals conveyed by accounting variables. This is what Stolowy, (2000) calls "strategic accounting". Creative accounting has two forms:

- A tool for improving accounts: at a first glance. For Colasse (1992, 1998), it is devised to give practical accounts of a company, the most flattering picture possible. Abouchahla (1993) in the same sense distinguishes three categories of operations: real fraud or forgery, legal skins and creative accounting.

- Creative accounting is a translation of the financial creativity: For Pasqualini and Castel (1993), the idea of creative accounting is to show proof of a picture comparable one whose brokers have demonstrated by creating new financial instruments. In the same sense, Barthes de Ruyter and Gélard (1992) estimate that the imagination of the modern financial engineering creates new products or assemblies that are constantly offered to group leaders. Their main objective is to circumvent accounting rules considered disadvantageous mainly to the result, equity or debt.

The use of creative accounting can be voluntary or involuntary, in order to smoothen the accounting results as shown by Chalayer (1995). It can also be used to play down the apparent indebtedness of the firm's taxable income or give to the accounts of a group a more favorable picture by acting on the consolidation data. From such representative choice of preferences, leaders have effects on the structure of accounts and remain subordinate to the objectives of financial reporting and their behavior.

According Degos (1997), a true image involves a lot of earnings or cash flow and low taxes. According Levasseur (2000), leaders are encouraged on the one hand to establish balances at year-end in order to present satisfactory equilibrium and secondly to use accounting rules. For Stolowy (1994), creative accounting aims at modifying accounts, mainly in order to improve, but sometimes for the sake of damage, as also emphasized by Chartoire and Loiseau (2006) who, by stigmatizing "inappropriate and harmful policies of the state", evokes the thesis of Laffer that "too much tax kills tax." In the same vein, Stolowy (1994), tend to say that this is to give the most favorable possible representation of performance and the financial situation of the company, it is possible to estimate that creative accounting aims to change the level of income or financial statement presentation. It would be wrong as Colossus (1998) thought, that regulation and standardization make the profile of the accounting company objective. They only clarify how it was painted. Moreover, they allow preparers an irreducible and indispensable limit of manoeuver they can use based on considerations of political communication.

Information is not a free good, but instead it is a source of behaviors, decisions and strategic advantages.

Accounting information has as role to transmit a representation of the economic reality of a company, the expected quality of this information depends on both the perception and judgment of the preparer of the accounts in the reproduction of reality, the form which renders this reality intelligible as well as the users needs.

According Casta (2000), the accounting choices of standardization actors are directly related to their need for information and can lead to favoring the internal management of the firm, the macro-economic making decision or external corporate communication.

Dealing with accounting standards, Fortin (1989) points out that accounting rules determine the division of wealth, and that his policies are not neutral and objective but tainted with arbitrariness. It is thus the compliance to standards that allows to insufflate on financial states the amount of trust without which they would be of no use. The use of creative accounting techniques challenges the true picture of companies and causes the appearance of a situation of asymmetric information between the important leaders of the business and financial market participants, in the measure where the leaders master the accounting policy of the company and know on what basis the result has been determined, while the actors do not know the objectives of accounting officers. Creative accounting partially challenges the hypothesis of the efficiency of financial markets as it leads to decisions that disregard the use of accounting information or incite the financial markets integration in the course of actions, of uncertain information. In this context, it seems appropriate to think that if the actors are rational, they will last long in the use of raw accounting data in the decision-making process. Market failure arise from the fact that annual reports are the main source for investors and that other sources of information, when they exist, are too expensive . Users of accounting information who do not have technical competence in accounting cannot properly interpret the subtleties of this type of specific information.

II-Methodology

This is a hypothetical-deductive research, based on the formulation and assumptions previously cited, namely:

- Accounting organization in SMEs depends on the legal status and the image they want to give to others.
- The choice of modeling techniques of the result depends on the information that managers want to introduce their partners
- The evaluation principles have an impact on the financial statements

The sample consisted of 45 SMEs and the data collection tool used was questionnaires. Chi-square statistics and factorial analysis of multiple correspondences was used to draw conclusions on the overall behavior of the variables selected. The study sample had the following characteristics:

Table 1: Sample Characteristics

Characteritics	Modalities	Effective	Frequency
Activity domain	Industry	07	15.5
	Businesses	17	37.7
	Services	21	46.8
Legal forme	Societal enterprises	31	68.9
	Individual interprises	14	31.1
Number of salaried workers	10-50	39	86.7
	50-100	6	13.3
Accounting system	Normal system	32	71.1
	Base system	13	28.9
Nominal capital	Less than 10 million	28	62.2
	More than 10 millions	17	37.8
Presence of a tax system	Yes	22	48.9
	No	23	51.1

III. Results

III-1 A Univariate Analysis: Tests of Independence

III.1.1 **Influence of the Legal Status on the Accounting Organization**

The legal status of variables taken into account are: the legal form, the size measured in terms of number of employees and the amount of social capital. Variables of accounting organization are expressed in terms of bookkeeping, the existence of an accounting department, the pace of accounting records.

Table 2: Relationship between the Legal Status and Accounting Organization

Crossings	Degree of freedom	Chi-square	Phi Coefficient	Cœfficient C	Significance
Influence of the legal form of the holding of TAFIRE	1	3.357	0.273	0.263	0.067
Influence of the legal form of holding the balance	1	4.133	0.303	0.290	0.042
Influence of the legal form of the holding of the income statement	1	3.318	0.272	0.262	0.069
Influence of the importance of social capital on the holding of inventory book	1	5.688	0.356	0.335	0.017
Influence of the importance of social capital on the strength of the balance	1	6.749	0.387	0.361	0.009
Influence of the importance of social capital on the general ledger	1	9.265	0.454	0.413	0.002
Influence of the importance of social capital on the effectiveness of an accounting department	1	1.079	-0.155	0.153	0.299

It appears from reading the various coefficients and independence test values that at 10%, there a significant relationship on the one hand between the legal form and the holding of TAFIRE respectively and the income statement and secondly between the importance of social capital and successively the held inventory book, the balance ledger. The influence of social capital on the effectiveness of an accounting service is not verified.

III.1.2 Influence of the accounting organization on broadcast partners SME picture

Table 3: Relationship between the Accounting Organization and the Nature of the Information Disseminated

Crossings	Degree of freedom	Chi quare	Phi Coefficient	Cœfficient C	Significance
Influence of the pace of registrations on the objective evidence of transactions	1	0.202	-0.069	0.069	0.653
Influence of the income statement on the purpose of presenting information to third profitability prospects	1	0.113	0.051	0.051	0.737

When reading this table, it appears there is no significant link between the pace of accounting records and the objective evidence of transactions on the one hand, and between the income statement and the objective of presenting the information to third on the prospects for profitability. Thus altogether reject the hypothesis that the accounting organization influences the image broadcast SME partners.

III.1.3 Impact of modeling techniques on the result of information provided to SME partners

Table 4: Relationship between Modeling Techniques and Disclosed Information

Crossings	Degree of freedom	Chi-square	Phi Coefficient	Cœfficient C	Significance
Influence of the revaluation of assets on respect of financial balances	1	2.291	-0.330	0.314	0.130
Influence of the determination of a probable duration on the objectives of the depreciation policy	1	3.572	-0.282	0.271	0.059
Influence of the determination of a residual value on the objectives of the depreciation policy	1	0.025	0.024	0.024	0.873

This third group crossing reveals a lack of connection between the revaluation of assets and the compliance with financial ratios, between the determination of probable amortization period and the objectives of the depreciation policy. The only stable and significant relationship is between the determination of residual value and objectives of the depreciation policy. The assumption marking the impact of modeling techniques on the result of information provided to partners of SMEs is not verified.

III.1.4 Impact of assessment principles on the financial statements

Table 5: Influence of the Evaluation Principles on Financial Variables

Crossings	Degree of freedom	Chi-square	Phi Coefficient	Cœfficient C	Significance
Influence of the recognition of gains on obtaining a profit	1	6.155	0.392	0.365	0.013
Influence of the formation of losses on the holding of TAFIRE	1	0.008	-0.013	0.013	0.928
Influence of changes of inventory valuation methods on the list annexed	1	0.470	0.102	0.102	0.493
Effect of revaluation of fixed assets on the balance sheet	1	3.479	-0.281	0.271	0.062

The table shows that only the influence of the recognition of gains on obtaining a profit and revaluation of fixed assets on the balance sheet is significant, unlike that of the influence of the formation of less - gains on TAFIRE or changes of methods of inventory evaluation on the annexed statement. Overall, the evaluation principles have no impact on the financial statements.

Finally, in addition to these globally non-validated assumptions, we need not lose sight of the existence of some significant differences between the variables that when taken into account reveal certain individual realities within companies. Thus, a comprehensive analysis of the different variables through factorial analysis.

III-2 A Multivariate Analysis: Factorial Analysis of Multiple Components

Three factorial axes give most useful information in this research.

Table 6: Interpretation of the First Factorial Axis

Negative values		Variables	Positive values	
Contributions	1#F		**1#F**	**Contributions**
311	**2017**	**MOV2**		
311	**2017**	**PLU2**		
		INDI	**767**	**90**
		MOV1	**396**	**65**
		BIL2	**2350**	**60**
622		**TOTAL**		**215**

Examining the contributions to the formation of the factorial axes, it appears that five observations have contributions above average on the first axis, totaling 77.7% of the total inertia. This axis therefore shows two groups of SMEs: The first group is composed of companies that do not notice any losses, do not take into account potential gains and provide no information to the Tax Office. Meanwhile the second relates to individual companies that have no record, but that equip-downs for fear of tax enforcement.

Table 7: Interpretation of the Second Factorial Axis

Negative values		Variables	Positive values	
Contributions	2#F		**2#F**	**Contributions**
		CAP2	**888**	**165**
		GES2	**1152**	**114**
103	**546**	**CAP1**		
89	**651**	**DDP2**		
77	**574**	**ICD2**		
		BIL2	**2409**	**71**
		ICD1	**411**	**54**
		DDP1	**388**	**52**
269		**TOTAL**		**456**

From the interpretation of this axis, it appears that eight observations have a contribution higher than the average of all on this axis, totaling 72.5% of the total inertia. It also appears two groups: one composed of SMEs whose capital exceeding 10 million, which are not intended for the internal management of the firm, have no balance. The information is primarily directed towards the tax office and they determine a probable duration for the assessment of their property. This first opposes a second, the companies whose capital is less than 10 million FCFA, which do not determine the probable duration for the evaluation of assets. The financial information is not primarily directed towards the tax office.

Table 8: Interpretation of the Third Factorial Axis

Negative value		Variables	Positive value	
Contributions	3#F		**3 #F**	**Contributions**
126	**809**	**COR1**		
		BIL2	**3028**	**117**
		INDI	**782**	**110**
		MES1	**626**	**95**
		COR2	**434**	**72**
60	**424**	**MES2**		
		MOV2	**809**	**59**
51	**415**	**SVC1**		
42	**325**	**SOCI**		
		TRE2	**568**	**37**
279		**TOTAL**		**490**

This third axis reveals ten observations which include 76.9 % of the contributions on this axis. Two groups also appear. One for small SME which are sole proprietorships and have no balance sheet or income statement, who do not losses and who change their methods of stock assessment. The true picture in this case is not the translation of reality. The second group of SMEs have a result statement. It consists of companies that do not change their methods of stock assessment, have an accounting service and are societal firms.

Conclusion

The legal status of SMEs has an effect on the accounting organization and consequently on its books. However, the image distributed to third is not dependent on this organization. Also, modeling techniques have no impact on the depreciation policy and especially as regards the determination of the estimated useful life depreciation. One also notes the influence of the recognition of gains on the net profit and the impact of changes in inventory valuation in the accompanying statements or revaluation of assets on the balance sheet methods.

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