

The Objectives and Users of financial statements are the missing link in the Algerian conceptual framework (A critical analysis study)

Hadjira GAG^{1,*}

¹ FFDMEFM laboratory, Faculty of Economic, Commercial and Management Sciences, Ouargla University, (Algérie)
(hadjira.gag@univ-Ouargla.dz)

Received: 11/12/2020 ; Revised: 20/12/2020 ; Accepted: 29/09/2021

Summary: This study aims to shed light on the users and objectives of the financial statements and highlight their role in building conceptual frameworks. This research paper deals with the main concepts of the objectives of financial reporting which are: "stewardship" and "decision usefulness", and the controversy surrounding them internationally. In addition to that, the study also focuses on the level of the conceptual framework of the financial accounting system. The latter adopted the Anglo-Saxon reference, and analyzed the suitability of these objectives to the Algerian business environment using the analytical and comparative method.

This study concluded that the difference in the culture of management practices at the global level constitutes obstacles to accepting these concepts. It also concluded that Algeria implicitly adopted the objectives and users of the financial statements in its conceptual framework.

Keywords: Conceptual framework, Users of financial reporting, Objectives of financial reporting, Stewardship, Decision usefulness.

Jel Classification Codes : M41

* Hadjira GAG (hadjira.gag@univ-Ouargla.dz)

I-Introduction:

Objectives Accounting is considered as the cornerstone of the formulation of conceptual frameworks. However, setting accounting objectives is a thorny issue. The accounting standards setter faces a big challenge in order to prepare an acceptable conceptual framework. These challenges are directly related to concepts adopted by the IASB. The concepts provide the borderline of the Accounting objectives.

The determination of those objectives emerges through identifying the users of the financial statements, and then determining their needs for accounting information. If Accounting is to play an effective and influential role in a society, it must not adopt independent objectives that are not linked to the environmental conditions prevailing in that society, hence, it should therefore continue to serve the objectives associated with these environmental conditions on the basis of the incorrect assumption, "what should be the appropriate conceptual framework to serve the objectives of developed countries and also be appropriate in an automatic way to serve developing countries". Therefore, the possibility of unification between concepts, values, conditions and the needs of decision-makers for accounting information and between the diversity of data is a misleading assumption (Abd El Fattah Amine, Thair Sabri Mahmoud, & Bushra Najm Abdallah, 2007, p. 198).

Algeria, like other developing countries, has adopted a conceptual framework, explicitly based on the Conceptual Framework of the IASB. In other words, Algeria has chosen a solution compatible with the international reference, and this leads to the analogy of the components of the framework of SCF with the framework of IASB (Hawam & Mounir, 2019, p. 228). Consequently, an implicit adoption of the objectives of the financial statements.

I.1. The problem of the study : Based on the above, the main problem of this research can be stated as follows:

To what extent are the objectives of financial statements in the conceptual framework of the financial accounting system compatible with the Algerian accounting environment?

I.2. Hypotheses :

1. The users and objectives of the financial statements were adopted in the conceptual framework of the financial accounting system, implicitly from the 1989 IASB conceptual framework.
2. The objectives of the financial statements and their (adopted) users are not compatible with the Algerian economic environment.

I.3. Research methodology and tools:

This study was based on an analytical (legislative and regulatory texts) and comparative approach. In addition, analyzing data and statistics for the Algerian business environment.

I.4. The previous research and studies :

Part of this article aims to participate to existing discussions on revisions of the IASB's CF in the academic literature. While many last articles have taken issues emerging from the CF revision : e.g. (Ying & Jane, 2014), (Macvea, 2014), (DAVID B. SUTTON, 2015), (Barkera, 2015), (Bischof, 2015), (Kevin Ow Yong, 2016), (Dennis, 2018), (Teixeira, 2018), (Walton, 2018). or debate the CF at the level of financial reporting objectives such as : (Tim Murphy, 2013), (Pelger, 2015), (Rajni Mala, 2015), (Sinclair, 2017), (Dennis, 2019), (Pelger, 2019).

- A study (Hawam & Mounir, 2019) entitled: "The Conceptual Framework for the Financial Accounting System between Theory and Legislative Rules"

This study aimed to highlight the intellectual structure of the conceptual framework for financial reporting in its hierarchical form, In which the first level is concerned with appointing users of financial reports, And the rest of its components are determined mainly by logical reasoning, taking into account the surrounding economic and social conditions. With a comparison between the SCF conceptual framework that is adapted from and the IASB. The study concluded that the conceptual framework of the SCF, cannot be considered a conceptual framework in the full sense of the concept, Because it contains implicit elements on the one hand, such as not explicitly identifying users of the financial statements in it and on the other hand, the study did not take into account the Algerian economic context.

- A study (Khaled, Mouhamed Elhadi, & Hicham, 2019), entitled : Analysis of the relationship between the needs of users of financial statements and the qualitative characteristics of accounting information.

This study aimed to analyze the characteristics of the accounting information quality and their Relationship with Users and their information needs as defined in Conceptual Framework for Financial Reporting of the IASB. By addressing the conceptual framework and its role in determining the needs of users of financial statements, Where professional organizations play a central role in guiding the accounting system, according to stakeholder pressures. The study concluded that identifying and achieving the qualitative characteristics of accounting information is affected by these pressures, and the business environment. In addition to the authors of the financial statements and the circumstances associated with preparing these statements.

- A study of (Carolyn J & Rowena, 2017) entitled : Decision-Usefulness and stewardship as conceptual framework objectives : Continuing challenges.

The objective of this paper is to project the implications if the IASB prioritizes dual objectives (decision-usefulness and stewardship) for general purpose of financial reporting of both monetary and non-monetary information. these two objectives have different theoretical foundations and the potential users have different needs. Two different objectives should result, at times, in different presentation and measurement. This is by analysing 144 submissions to the 2008 CF ED (IASB, 2008). The researchers pointed out that one of the possible solutions to the dilemma of the IASB is to achieve a balance between the demands of voters by explicitly recognizing the needs of the users that are being pursued and why.

- A study (Elrashidi, 2013), entitled: The evolution of financial reporting objectives between decision usefulness and management accountability: an analytical study.

This study aimed to analyze the historical development of the objectives of financial reporting, and determine the relationship between the two objectives of the decision usefulness and stewardship, to conclude what is consistent with the case of Egypt as the objectives of financial reporting. Based on logical theoretical analysis, through historical approach and analytical approach.

The study found that the objectives of the decision usefulness and stewardship were two separate parallel objectives that complemented each other. It also concluded that the Egyptian conceptual framework was a translation of the international conceptual framework. The researcher believes it is necessary to amend the objectives of the financial reports contained in the Egyptian Conceptual Framework for the year 2006, in light of the changes in the Egyptian environment, by adopting the two objectives together and giving them the importance, without favoring one over the other.

➤ A study (Aqari, 2010) entitled: Has the accounting failed to meet the needs of its users? This study aimed to present the most important ideas related to the transformations that characterized the evolution of accounting in response to the successive environmental changes. To understand and explore the underlying causes of failure to define objectives of financial statement. Despite the continuous change in the direction of preparing accounting standards, nationally and internationally. The researcher found that a large part of the problems raised by the process of determining the objectives of the financial statements, comes from potential conflict of views of groups that influence and are affected by the financial reporting function, and what that may impose on the necessity of giving priority to one group's viewpoint over others.

II. The conceptual framework of IASB :

II.1. Background evolution of the conceptual framework of IASB :

The Conceptual Framework (CF) is a set of concepts and guidance to the standards setters. As well as it is not a Standard and does not override any Standard. (IASB, Conceptual Framework, Project Summary, March 2018, p. 2). Both the FASB and the IASB already have conceptual frameworks. The FASB's was the first, dating mainly from the 1970s, and consists of seven substantial concepts in form of statements, each published separately. The IASB's Framework for the Preparation and Presentation of Financial Statements (1989) is a much briefer single document of 110 paragraphs, dating from 1989. Its content shows a strong affinity with the FASB's earlier work (Whittington, 2008, p. 141). The two boards Joined in a strategic project including working on convergence in the conceptual framework of both.

CFs prove the principles guiding accounting standards (Sutton, Cordery, & Tony, 2015, p. 117). The Conceptual Framework states that the objectives of financial reporting is to provide financial information about a reporting entity (Gordon, et al., 2015, p. 73). The last update of the CFs was published on 13 march 2018, the IASB state that the former Conceptual Framework imperfect which need development for the following reason : (IASB, Conceptual Framework, Project Summary, March 2018, p. 3)

- primacy: in the 2011 Agenda Consultation the stakeholders identified Cfs improvement as a priority;
- Filling gaps: for example, guidance on measurement, presentation, and disclosure;
- Updating: for example, the definitions of an asset and a liability;
- Clarifying: for example, the role of measurement uncertainty.

II.2. Users of Financial Reporting and Financial Statements :

Financial statements are prepared and presented for external users by many entities around the world (IASB, The Conceptual Framework for Financial Reporting , 2010) , and Almost all external users of financial information reported by a profit-oriented firm are involved in efforts to predict the earnings of the firm for some future period (Zeff, 1999, p. 96), The Board believes that the financial statements prepared for this purpose meet the common needs of most users. This is because nearly all users are making economic decisions, for example: (IASB, 2010, p. 5)

- to decide when to buy, hold or sell an equity investment.
- to assess the stewardship or accountability of management.
- to assess the ability of the entity to pay and provide other benefits to itsempleoyees.
- to assess the security for amounts lent to the entity.
- to determine taxation policies.
- to determine distributable profits and dividends.
- to prepare and use national income statistics.

- to regulate the activities of entities.

In fact, rather than inviting reflection on the concrete requirements of discovery, understanding, and processing information provided by the published financial statements. This approach has tended to focus attention on the presupposed needs of investors alone which are supposed to summarize the cognitive requirements of all stakeholders. (Burlaud, 2015) That invites us to ask the next question : Are all investors equal?

In 2010, The Economic Analysis Council published a report on the status, operation, and role of "long-term" investments and investors. In 2013, the European Commission also published a green paper on long-term financing of the European economy. Like other economic studies and analyses, these documents show that the investor category is more diverse and varied than is believed by reading the policy statements of some accounting standard-setters. Any informed observation of governance practices testifies to this diversity and the immanent conflicts that can characterize investors' relationships with each other at a given time, and in time. The occurrence of financial scandals and crises is also a testament to this. Thus, if theory and practice confirm that not all investors are equal, how could their presupposed needs meet the overall information needs of employees, customers, suppliers, administrators, competitors, local communities, regulators and the tax authorities? (Burlaud, 2015, p. 30)

Also, (William H Beaver, 1974) argued, There appears to be a consensus that the main goal of financial reporting is to supply information to financial reporting users. However, the primary role of the objectives within this utilitarian tendency - user-primacy framework - still mysterious largely because the problem of heterogeneous users has not been vigorously oriented. That is, outright recognition of inconsistent conflicts of the usefulness among users categories provides the basic element in defining the problem's objectives.

These different conditions have led to the use of a diversity of definitions of the elements of financial statements: for example, assets, liabilities, equity, income, and expenses. They have also led to the use of different criteria for the recognition of items in the financial statements and in a preference for different bases of measurement. The field of the financial statements and the disclosures made in them have also been influenced. (IASB, The Conceptual Framework for Financial Reporting , 2010, p. 4)

II.3. Objectives of Financial Reporting : Between the stewardship and Decision-Usefulness

a. The Stewardship :

There is a deep intertwined between Accounting, audit, and stewardship. The concept "steward" was first used in the 17th century, but this practice was existed before this time, as in the case a Hammurabi Code 4,000 years ago. (Leow & Ong Boon, 2017, p. 38)
The stewardship process is the popular term for the procedure of management monitoring, which is a part of corporate governance (Whittington, 2008, p. 145).

The Stewardship "is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society". (Council, 2019, p. 4)

The idea of stewardship advanced in the substitution view is one of accountability by the management board of an entity to its proprietors. This is an agency relationship. Its information requirements intersection with those of decision-usefulness. the favored steward in the biblical parable of the skills was the one who created the greatest wealth for his master, or, in modern

terms, maximized the present value of future cash flows. However, there are additional variations of focus and perspective. A stewardship relationship recognizes that the agent has an incentive to misrepresent performance. This is the justification for an excessive level of detail in reporting related-party transactions and directors' remuneration. Also, the relationship includes monitoring the movements of the steward, so it will be involved with previous transactions and events to an increased extent than decision-useful information that is centered on predicting future cash flows .

The stewardship relationship is additionally interactive information in financial reports that may direct the principals to affect the movements of management, so that, future cash flows are endogenous to the system rather than predictable as exogenous variables. (Whittington, 2008, p. 499)

b. Decision-Usefulness :

There are two primary reasons behind decision usefulness. Mainly, the primacy of user needs and user decisions as a guide in the construction of external financial statements.(Young, 2006, pp. 579–580).

Decision-usefulness as a GPFR objectives was established in the US. which Zeff (2007; 2013) defines as a highly developed exchange economy with variations in business, financial and accounting culture, and capital markets in contrast to other countries. While the US was the first jurisdiction to do so, from its 1989 CF pronouncement onwards, the IASB inserted (and from 2006, prioritized) decision-usefulness as the objective for international reporting. (Cordery, Sinclair, 2017, p 6)

One lesson that emerges from the history of the expansion of the decision-usefulness idea is that there was an insufficient conceptual inquiry into the meaning of 'decision-usefulness' at the time of its introduction. (Murphy, et al, 2013) Stated that there is no usually accepted definition of 'decision-usefulness' in the literature. (Dennis, 2019, p. 14)

c. Differences between Conceptual Framework's objectives :

The table (1) shows that : The two different CF objectives concentrate on different users and information needs, with decision-usefulness focusing proportionately narrowly on the capital providers who need financial information (IASB, 2010a) The stewardship that is based on a broader Stakeholder theory as highlighted in the works of Whittington (2008), Cascino et al(2013) remark that different users use information in different ways.However, that GPFR objectives are the base of the presentation (Beyer et al., 2010). While both CF objectives seek useful information, these objectives also drive qualitative characteristics. In other words, decision-useful facts will prioritize relevant information, and stewardship will prioritize reliability (Cordery & Narraway, 2010; Lennard, 2007) (Sinclair, 2017, pp. 13-14)

II.4. Recent discussions on the objectives of stewardship and the decision usefulness :

The concept of stewardship is detailedly debated in the remark comment of the IASB/FASB discussion paper and exposure draft (ED,2008). The ED has discussed the 'objective of monetary reporting and choice-usefulness' in discrete sections. On the same line of thought, it recognizes the role that financial statements can have in regard to strengthening decisions on the stewardship of an entity's resources, however, with the observation that its reporting requirements could be adopted by providing information relevant to future cash flows. Due to management's performance in discharging its stewardship responsibilities that typically influence an entity's

potential to generate net cash inflows. In addition to that, management's performance is of attention to the potential capital providers who are interested in providing capital to the entity. (paragraph OB12, ED, May 2008). Therefore, in Framework of 2010 the IASB collected those two sections, which 'resulted in removing the separate subsections on usefulness in assessing cash flow possibilities and usefulness in assessing stewardship' (paragraph BC1.27, Framework 2010). Furthermore, the Board determined not to use the expression stewardship in the chapter, for the reason that it prompts, the possibility of the existence of difficulties in translating it into other languages. (paragraph BC1.28, Framework 2010).

According to Wagenhofer(2009), and Whittington,(2008a) the marginalization of the objective of stewardship has been controversial. Especially among the members of the IASB. (Ying & Jane, 2014, p. 21).

In Chapter one of the CF2018 on the objective of financial reporting the IASB Confirms that providing decision-useful information for resource personalize decisions is the only objective of IFRS (CF2018.1.2). On this basis, the objective generally still has not changed compared to the CF2010. However, The IASB slightly has widened its understanding of resource allocation in regard to decisions as they are not only about the inclusion of buying, selling, holding decisions or about providing or settling loans, but also exercising rights to vote on, or otherwise influence, management's actions that influence the use of the entity's economic resources. (CF2018.1.2(c)).

In the most abstract aspects of its new CF, the IASB has moved again to earlier times than 2010. Stewardship has acquired prominence as part of the decision usefulness objective, but without being declared as a separate objective. Additionally, Rajini's and al analysis clearly shows that stewardship has invariably been an important part of the objective of financial reporting, and the lowered emphasis on stewardship obviously construed the powerful opposite reactions by commentators on CF. Inversion on the endeavors by the boards to de confirm the official role of stewardship proposes that this would definitely lead to unwanted consequences for financial information users and would be far removed from myriad of procedures of management. On the same, it would have an unavoidable effect on the opinions they convene on entities. (Rajni Mala, 2015, p. 9). Consequently, accountability requires more than the prediction of future cash flows' (Whittington, 2008a, p. 144). Eventhough, stewardship was given increased significance, it does not display considerable impacts in the later chapters of the CF. This validates the statement given by Van Mourik and Katsuo Asami (2018, p. 171) that this increased prominence [of stewardship] is in name only, has no impact on the actual financial accounting and reporting. On the other hand, Wagenhofer (2009, p. 68) cautions that "the growth strategies adopted by the IASB are risky", because they fail to take into account the different objectives of financial reporting. In addition stewardship is interested with observing the past as well as predicting the future, from the standpoint of public interest, it is usually related to the integrity of management. (Puxty, 1986; Whittington, 2008b). The decision of the IASB against positioning stewardship as a separate objective, gives the higher emphasis to the appease of the constituents without materially affecting future standard-setting (Pelger, 2019, pp. 5-14).

The researchers concluded that the difference in the culture of management at the global level makes these concepts controversial and the possibility of applying them at different levels based on intellectual and cultural convergence with these concepts. In short, if stewardship provides added value to information for users of financial reports, they will inevitably demand it, and that's what IASB member Leisenring saw in an interview with PLGER. "Stewardship is, perhaps, a cultural issue because it has never arisen in my experience in the United States. I never e

in any of the discussions around concepts when I was at the FASB e heard it come up at all. The focus was all on investors and lenders and resource allocation decisions. However, I did encounter it at the IASB the moment I walked in the door". (Pelger, 2015, p. 9)

III. Conceptual framework for the financial accounting system :

A conceptual framework is defined as the design of a hierarchical system of concepts in order to achieve them (Dennis, What is a Conceptual Framework for Financial Reporting?, 2018, p. 3), setting the objectives of financial statements as the basis of the pyramid, the lack of a clear definition of accounting objectives, and the precise identification of users and their needs, have led to a vague and ambiguous framework.

The following figure (01) shows a constructive structure, both the conceptual framework of the adopted financial accounting system, and the conceptual framework of the IASB, where figure (01) shows the logical sequence of building the conceptual framework of the IASB, or what is known as the "sequence" model, that begins by studying the international (accounting) business environment, balancing with determining the category of users and the nature of their needs, in order to reach the objectives of the financial statements, which are the cornerstone of frame construction. When defining the objectives, we have prepared the appropriate ground to complete the construction of the rest of the frame elements.

As for the conceptual framework of the financial accounting system, The second specific level of qualitative characteristics and elements. The third level consists of assumptions, Principles and constraints that were explicitly adopted from the 1989 conceptual framework of the IASB.

III.1. Financial statement objectives for the 1989 IASB conceptual framework :

- Provide information on the financial position, performance of the entity and its cash flows, which are useful to a wide range of users to make decisions
- Financial statements are prepared to meet the needs of most users, yet they do not provide all the information that users need to make economic decisions, which puts the financial implications of past events and does not necessarily provide non-financial information.
- The financial statements also clarify the accountability of management for the use of the entity's resources.
- The economic decisions that users make require an assessment of the company's ability to generate cash and cash equivalents, as well as the timing and degree of uncertainty associated with them. This determines the company's ability to pay wages, debts to suppliers, loan repayments, performance and changes in the company's financial position.
- The first and second objectives express the importance of the decision usefulness as an input to the elaboration of the financial statements, for the IASB (focus heavily on the decision usefulness). Where the objective of the decision usefulness represents the main goal, and the objective of stewardship comes in a less important degree as a sub-objective of the financial statements. This confirms that, although the framework identified a wide range of users, it focused on investors.

IV . Results and discussion:

The logical structure of any conceptual framework requires clear and logical objectives, devised by identifying users of financial statements and the needs of the accounting information users, to complement the rest of the components of this framework on a solid basis. In accordance with the requirements of the national accounting environment.

Algeria adopted a conceptual framework with an Anglo-Saxon background, which is considered as ambiguous regarding the users and objectives of the financial statements, As the Algerian legislature did not elaborate on setting accounting objectives that reflect the reality of the Algerian accounting environment. Rather, they implicitly adopted them within the conceptual framework of the SCF, through its explicit adoption of each of the qualitative characteristics, concepts, assumptions ..., Thus giving importance to the purpose of the decision usefulness over the stewardship objective, and this does not serve the national environment for the following reasons:

1. Financial market efficiency performance :

The urge to meet the needs of investors for financial information, allows them to make rational decisions. The latter characterizes the Anglo-Saxon countries in which the financial market plays a pivotal role in financing the economy, in which investors possess a basic pressure element in achieving transparency and moving away from confidentiality in disclosure through their constant and increasing demand for the relevance and reliability of information. Unlike Algeria, where the financial market plays a limited role in financing institutions due to its weak activity and small size (Fatima, 2017), in which, the number of companies listed on the stock exchange has reached 06 companies to date, according to the "Dazeer Index". While it is agreed that there are more than 30 companies listed on the financial market in order for the stock market index to be acceptable, this does not apply to the Algiers Stock Exchange. The market capital reached 40.58 billion DA in 2017, which is very weak compared to the Gross domestic product (GDP) for the same year. Its value amounted to 18.594.1 billion DA, or 0.0026% (See Table 02), and this percentage is very small compared to the GDP growth (Mostefa & Mustapha, 2017, pp. 15,16). Based on the above, we conclude the weakness of the financial market in regard to contributing to financing economic activity and supporting new investments through direct financing. It is the opposite of what is required by the purpose of the decision usefulness, which is mainly based on the efficiency of the financial market.

2. Companies structure :

The number of large companies whose turnover equals or exceeds 2 billion Algerian dinars does not represent less than 0.10% of all major companies, with an estimated number of 957 companies, of which 524 are affiliated with the public sector. According to the 2011 economic census (Hawam & Mounir, 2019, p. 230). While the number of small and medium companies (SMEs) accounts for the lion's share of building the industrial sector in the Algerian economy, the total number of SMEs in Algeria (as of November 2019) was 1,171,945, with absolute control of the private sector at an estimated 99.98%. Furthermore, the public sector SMEs accounted for 244, or 0.02% of the total number of SMEs for 2019.

The mechanism of work of these companies and the nature of their needs and the needs of their clients, different from the big companies, which resort to the financial market to disclose their financial statements, the main need for this type of company is to obtain financing, which is usually provided by banks and other financing sources such as families and the state.

3. Users of financial statements :

The IASB framework defined a group of users and their information needs such as: Investors, employees, lenders, suppliers and other creditors, customers, governments, their representatives and the public. However, it focused primarily on meeting the needs of investors, as they are considered providers of capital and who bear risks. The framework also stated that

meeting financial statements' information needs of investors may satisfy the needs of many other users.

Since Algeria has followed the same footsteps as the IASB board, the financial accounting system has implicitly adopted the same users of the IASB financial statements, with investors and lenders identified as primary beneficiaries of the financial information contained therein. Taking this into account, to a large extent, the financial reporting needs listed institutions.

However, based on the commercial law governing (regulating) companies, the Algerian legislator has focused on shareholders and owners as the primary users of financial statements. Through Article (678), in which the board of directors or whatever takes its place is obligated to submit the annual report on the organization's management to the general assembly of shareholders attached to the financial statements and the report of the accounts governor. The general assembly approves the financial statements of the company based on the two previous reports.

Also, The frequent referral of regulation in the Partials (which are the subject of the legislature's jurisdiction), Through laws issued by various government agencies that affect accounting practices, directly or indirectly, such as the Tax Administration, the Stock Exchange Regulatory Commission(Sec), and others. It makes compliance with laws the main objective of accounting, given the limited use of financial statements by Algerian institutions. The financial statements are directed primarily to government agencies as their main users, on top of which is the tax administration, this will be the ultimate use of information disclosed by the foundation by the government for the purposes of national planning as well as achieving objectives at the macro level. (Fatima, 2017, p. 75)

We note that there is a conflict in determining the users of financial statements in Algeria due to the complexity of the Algerian accounting environment, and the overlapping and complexity of tax and accounting laws.

The Algerian legislator may have sensed this inconsistency in the identification of users, when he deleted their paragraph from the final version of the financial accounting system. It sets them in five categories in the SCF project. The first category includes the managers of the institution and the board of directors, then the money providers from owners, shareholders, banks and others. The second category includes the various departments and bodies such as the tax administration, statistical, planning and control bodies, other departments were classified in the third category. As for the fourth category, it includes those departments dealing with the corporation, such as insurance companies, workers, suppliers, and customers. In the end, other stakeholders and the general public. This resulted in the users of the financial statements not being included in the financial accounting system at all. (Hawam & Mounir, 2019, p. 231)

Consequently, it is worth noting that there is a wide range of stakeholders, which necessitates setting accounting objectives that aim at responding to the needs of these users. In other words, focusing on meeting the needs of investors on their own does not serve the Algerian business environment.

4. Performance measurement approach :

The SCF framework adapted the balance sheets approach, which is also called the evaluation approach. It is the approach in which revenues and expenses are measured on the basis of changes in the level of assets and liabilities according to this approach. This resulted in the adoption of the comprehensive income approach, and then the fair value.

This trend towards applying more optimistic methods of measurement faces several difficulties, and the stagnation of the financial market in Algeria is the most important of them. Valuation at fair value with regard to financial instruments is possible only in light of the availability of an active financial market, a feature that is absent in the Algiers Stock Exchange, as for other assets, they also lack a competitive market that provides all the information related to the decisions making, buying or selling shares, in addition to the stagnation of the financial market, the tendencies of accounting treatment methods based on the principle of historical cost which are commensurate with the level of capabilities, skills, and experiences available to Algerian institutions. The latter are often low, which prompts accountants to adopt valuation according to amortized cost (Fatima, 2017, pp. 80,81).

V.Conclusion:

This paper is considered as a contribution to the ongoing research about the recent changes in the conceptual framework of IFRS regarding the objectives of financial reports. Based on the conducted research, it is possible to conclude that : The difference lies in the culture of management practices at the global level is, no doubt, an obstacle to accepting the concepts of "Stewardship" and "Useful-Decision".

It is suggested that the Standard-setters should give stakeholders a greater role to participate in the expression of their professional opinions when making any change in the CF.

As for Algeria, we must review the objectives and users of the financial statements for the following reasons :

- The Algerian financial market is a very weak, especially compared to the markets of other countries that more powerful, such as America, Britain and others. Therefore, if we consider that the focus on the purpose of the decision usefulness in those countries is supported by the strength of the financial markets in them, then in the case of Algeria there is no such justification to support the focus on the purpose of the decision usefulness alone or as a main objective.
- There are only companies six registered on the Algerian stock exchange. However, the majority of enterprises in the Algerian business environment are private small, and medium. In addition, trading activity is weak. Therefore, neglecting the importance of the objectives of accountability of management results is not important. Because of the needs of the majority of stakeholders in the companies operating in Algeria which are small and medium.
- Government agencies are one of the main stakeholders in Algerian companies, and this needs information to include in financial reports.

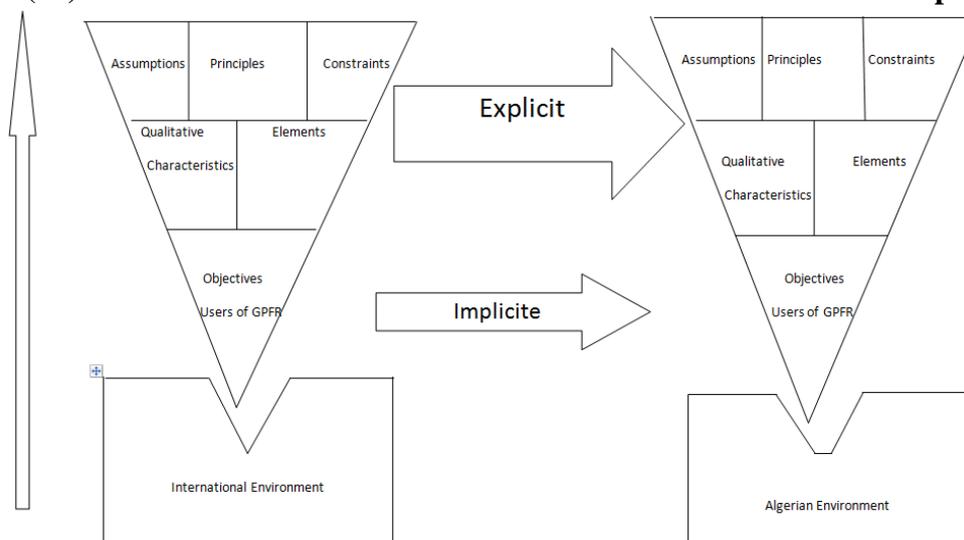
- Appendices:

Table (1): Conceptual Framework Objectives- Users and Information

COMPONENTS	DECISION-USEFUL	STEWARDSHIP
Theoretical bases	Efficient Market Hypothesis	Agency Theory Stakeholder Theory
Users	Capital providers	Stakeholders (a wider list including at least all who have an agency relationship with management)
Information	Financial and future-focused. Relevance most important	Financial and Non-financial. Reliability/verifiability most

Source : <https://ssrn.com/abstract=2918784>, p13

Figure(01) : The construction structure of both the IASB and SCF Conceptual Framework



The Source: made by the author

Table (2): Evolution of the ratio of financial market capital to Gross domestic product, during the period (2009-2017)

the years	2009	2010	2011	2012	2013	2014	2015	2016	2017
Market capital (billion AD)	6.55	7.9	14.96	13.02	13.81	14.79	15.42	45.77	40.58
Gross domestic product	9.968	11.991,6	14.589	16.209	16.647	17.228,6	16.702,1	17.406,8	18.594,1
MC/ GDP (%)	0.00065	0.00065	0.0010	0.00080	0.00082	0.00085	0.00092	0.0026	0.0021

The Source: made by the author

Referrals and references:

- 1- Abd El Fattah Amine, H., Thaer Sabri Mahmoud, A.-G., & Bushra Najm Abdellah, A.-M. (2007). Formulating accounting and financial reporting objectives in light of the different environmental variables. Proposed ideas and suggested opinions. *Journal of Economic and Management Sciences* , 198.
- 2- Aqari, M. (2010). Has the accounting failed to meet the needs of its users? *Journal of Financial and Accounting Studies* , 17-32.
- 3- Barkera, R. (2015). Conservatism, prudence and the IASB's conceptual framework. *Accounting and Business Research* , 514-538.
- 4- Bischof, J. (2015). The IASB's Discussion Paper on the Conceptual Framework for Financial Reporting: A Commentary and Research Review. *Journal of International Financial Management & Accounting* , 72-110.
- 5- Burlaud, A. (2015). *comptabilité, finance et politique de la pratique à la théorie : l'art de la conceptualisation*. France: Hal Id.
- 6- Carolyn J, C., & Rowena, S. (2017). DECISION-USEFULNESS AND STEWARDSHIP AS CONCEPTUAL FRAMEWORK OBJECTIVES: CONTINUING CHALLENGES. *SSRN* , 01-41.
- 7- Council, F. R. (2019, October). FEEDBACK STATEMENT: Consulting on a revised UK Stewardship Code. England, UK: The Financial Reporting Council (FRC).
- 8- DAVID B. SUTTON, C. J. (2015). The Purpose of Financial Reporting: The Case for Coherence in the Conceptual Framework and Standards. *ABACUS* , 116-141.
- 9- Dennis, I. (2019). The Conceptual Framework – A 'Long and Winding Road' *Accounting in Europe* , 1-34.
- 10- Dennis, I. (2018). What is a Conceptual Framework for Financial Reporting? *Accounting in Europe* , 1-28.
- 11- Djamel, K., & Mouhamed El Habib, M. (2018). The Algerian Financial Accounting System between the "Full IFRS" and the IFRS SME standard: Qualitative study of its implementation by companies. *HAL* , 02.
- 12- Elrashidi, M. S. (2013). The evolution of financial reporting objectives between decision usefulness and management accountability: an analytical study. *Contemporary Business Research Journal* , 35-106.
- 13- Fatima, H. (2017). The impact of the culture of actors in accounting on the application of the accounting and financial system in Algeria. Algeria, Algeria: Faculty of Economic Sciences, Business Sciences and Management Sciences, University of Algiers 3, unpublished PhD thesis.
- 14- Gordon, E. A., Bischof, J., Daske, H., Munter, P., Saka, C., Smith, K. J., et al. (2015). The IASB's Discussion Paper on the Conceptual Framework for Financial Reporting: A

Commentary and Research Review. *Journal of International Financial Management & Accounting* , 72-110.

- 15- Hawam, J., & Mounir, S. (2019). The Conceptual Framework for the Financial Accounting System between Theory and Legislative Rules. *Ramah for Research and Studies* , 228.
- 16- IASB. (March 2018). *Conceptual Framework, Project Summary*. IASB.
- 17- IASB. (2010). *The Conceptual Framework for Financial Reporting* . IASB.
- 18- Kevin Ow Yong, C. Y. (2016). Theory and practice of the proposed conceptual framework: Evidence from the field. *Advances in Accounting, incorporating Advances in International Accounting* , 1-13.
- 19- Khaled, M., Mouhamed Elhadi, D. E., & Hicham, L. (2019). Analysis of the relationship between the needs of users of financial statements and the qualitative characteristics of. *Business and Finance Economics Journal* , 313-324.
- 20- Leow, D., & Ong Boon, H. (2017). Stewardship and the Accounting Profession. *IS Chartered accountant* , 38-41.
- 21- Macvea, R. (2014). What should be the nature and role of a revised Conceptual Framework for International Accounting Standards? *China Journal of Accounting* , 77-95.
- 22- Mostefa, S., & Mustapha, H. (2017). Algeria Stock Exchange a missing link in the financing of Economic Development. *Messila University* , 01-20.
- 23- Pelger, C. (2015). Practices of standard-setting e An analysis of the IASB's and FASB's process of identifying the objective of financial reporting. *Accounting, Organizations and Society* , 1-23.
- 24- Pelger, C. (2019). The Return of Stewardship, Reliability and Prudence – A Commentary on the IASB's New Conceptual Framework. *Accounting in Europe* , 1-18.
- 25- Rajni Mala, P. C. (2015). Commentary on phase A of the revised conceptual framework: Implications for global financial reporting. *Advances in Accounting, incorporating Advances in International Accounting* , 1-10.
- 26- Sinclair, C. J. (2017). DECISION-USEFULNESS AND STEWARDSHIP AS CONCEPTUAL FRAMEWORK OBJECTIVES: CONTINUING CHALLENGES. *SSRN* , 1-41.
- 27- Sutton, D. B., Cordery, C. J., & Tony, V. Z. (2015). The Purpose of Financial Reporting: The Case for Coherence in the Conceptual Framework and Standards. *ABACUS* , 116-141.
- 28- Teixeira, R. B. (2018). Gaps in the IFRS Conceptual Framework. *Accounting in Europe* , 1-14.
- 29- Tim Murphy, V. O. (2013). Discourses surrounding the evolution of the IASB/FASB Conceptual Framework: What they reveal about the “living law” of accounting. *Accounting, Organizations and Society* , 71-91.

- 30- Walton, P. (2018). Discussion of Barker and Teixeira ([2018]. Gaps in the IFRS Conceptual Framework. *Accounting in Europe*, 15) and Van Mourik and Katsuo ([2018]. Profit or loss in the IASB Conceptual Framework. *Accounting in Europe*, 15). *Accounting in Europe* , 1-7.
- 31- Whittington, G. (2008). Fair value and the IASB/FASB conceptual framework project : An alternative view. *ABACUS* , 139-168.
- 32- William H Beaver, J. S. (1974). The nature of financial Accounting Objectives: A Summary and Synthesis. *Journal of Accounting Research* , 170-187.
- 33- Ying Zhang, J. A. (2014). Financialisation and the Conceptual Framework. *Critical Perspectives on Accounting* , 17-26.
- 34- Ying, Z., & Jane, A. (2014). Financialisation and the Conceptual Framework. *Critical Perspectives on Accounting* , 17-26.
- 35- Zeff, S. A. (1999). THE EVOLUTION OF THE CONCEPTUAL FRAMEWORK FOR BUSINESS ENTERPRISES IN THE UNITED STATES. *The accounting Historians Journal* , 89-131.

How to cite this article by the APA method:

Hadjira GAG (2022), **The Objectives and Users of financial statements are the missing link in the Algerian conceptual framework (A critical analysis study)**, Algerian review of economic development, Volume 09 (Number 01), Algeria: Kasdi Marbah University Ouargla, pp. 413-428.



The copyrights of all papers published in this journal are retained by the respective authors as per the **Creative Commons Attribution License**.



Algerian Review of Economic Development is licensed under a **Creative Commons Attribution-Non Commercial license** (CC BY-NC 4.0).