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Abstract

This paper develops a taxonomy of the different accounting systems that have evolved in Africa from the colonial era, through the early years of independence, to modern times. A preliminary test of the classification scheme for the current era of International Financial Reporting Standards (IFRS) was carried out using data from a PricewaterhouseCoopers (2011) survey. The results confirm Nobes' (2008) hypotheses on patterns of national reaction to IFRS. The results also show that a distinctive approach to financial accounting, which is alien to Anglo-American practitioners, and modelled on long-established French traditions, is still entrenched in Africa's franc zone countries in the 21st century despite sustained pressure from the World Bank and the International Monetary Fund for large entities to adopt IFRS. These findings provide some evidence against Alexander and Archer's (2000) claim that the contemporary notion of "Anglo-Saxon accounting" is a myth.

Key words: Accounting classifications, IFRS practices, CFA Franc Zone, OHADA accounting system, Plan Comptable Général

1. Introduction

Over the past forty years, many articles that analyse the development of accounting within individual African countries have appeared sporadically in this journal and its predecessor, the *International Journal of Accounting Education and Research,* for example: Ghana (Ghartey, 1978), Zimbabwe (Hove, 1986; Chamisa, 2000), Nigeria (Jagetia and Nwadike, 1983), Sudan (Mirghani, 1979), and Egypt (Alhashim, 1977; Samuels and Oliga, 1982). In general, these country studies tend to question the wholesale adoption of Western accounting models and international accounting standards in Africa, particularly in view of the extreme socioeconomic disparities between industrialized and developing nations (e.g. Briston, 1978; Samuels and Oliga, 1982; Hove, 1986). Another inference that can be drawn from the African accounting studies that have appeared in this journal is that they focus mainly on countries that were once British colonies or protectorates, a notable exception being the paper by Briston (1978), which made passing references to the now defunct OCAM[1] accounting system in French-speaking Africa.

The aim of the present study is threefold. First, it attempts to redress this imbalance in the literature by providing a detailed analysis of contemporary developments in the Francophone, Lusophone, and Spanish-speaking countries that make up the CFA (*Communauté Financière Africaine*) franc zone in Africa, all of which are signatories to the OHADA (*Organisation pour l'Harmonisation en Afrique du Droit des* Affaires)[2] treaty. These countries have not received the attention they deserve in the international accounting literature. In this regard, Colasse (2009, p 29) lamented the Anglo-centric biases that pervade much of the scholarship on accounting in emerging nations, pointing out that the Francophone brand of normative accounting research is not well known in the Anglo-Saxon world. More

[1] *Organisation Commune Africaine, Malagache et Mauricienne*.

[2] Organisation for the Harmonisation of Business Law in Africa best known by its French acronym OHADA

specifically, Colasse explains that one important reason for the imbalance in the extant literature on accounting in developing nations is that the OHADA accounting system, a product of the Francophone normative research tradition, was never translated into English, and much of it remains inaccessible to a wider English-speaking audience.

These observations provided the motivation for the present study because they readily call to mind Alexander and Archer's (2000) argument in an earlier issue of this journal that, in the current era of globalization and International Financial Reporting Standards (IFRS), the notion of "Anglo-Saxon" accounting is a myth[3]. Although a resounding rebuttal of Alexander and Archer's thesis was provided in a rejoinder by Nobes (2003), this study will further reinforce Nobes' contention by demonstrating that a distinctive approach to financial accounting, which is alien to Anglo-American practitioners and modelled on long-established French traditions, is still entrenched in the OHADA treaty states despite recent moves for convergence on IFRS championed by the World Bank.

The second objective of this study is to examine the main reasons why the OHADA accounting system has, thus far, remained largely insulated from external pressures for convergence with IFRS in the current era of globalization.

The final objective of this paper is to demonstrate that the recent OHADA accounting reform in the franc zone is predicated upon the argument that the pure version of IFRS, as published by the International Accounting Standards Board (IASB), and the new IFRS for Small and Medium-sized Entities (SMEs), do not fully meet the needs of the less developed countries concerned.

[3] Several other researchers (e.g. Cairns, 1997; and d'Arcy, 2001) have also disputed Nobes' classification of accounting systems into two groups, namely: the Anglo-Saxon (or Anglo-American) group and the Continental European group. Nobes' response is presented in section 7 of this paper.

This paper is divided into four main parts. The first part (sections 2 and 3) reviews the evolutionary history of accounting in Africa from the colonial era to modern times. The second part (sections 4 and 5) examines the structure and main provisions of the OHADA accounting system and the extent to which they are compatible with IFRS. The third part (sections 6 and 7) develops a taxonomy of the different accounting systems that have evolved in Africa and also presents the results of a preliminary test of a hypothetical classification scheme for the current era of globalization. The final part (section 8) assesses the prospects for incorporating IFRS into the OHADA accounting system, as recommended by the World Bank and the International Monetary Fund (IMF), and arrives at the conclusion that it would be virtually impossible to make OHADA fully compliant with IFRS barring a radical overhaul, or complete abandonment, of its implicit conceptual framework.

2. Background to the OHADA Accounting System

The CFA franc is the common currency used in 14 countries in West and Central Africa. All of these countries use the OHADA accounting system and fall within two monetary blocs. The first bloc is known as the West African Economic and Monetary Union (WAEMU[4]), which has a regional central bank, the *Banque Centrale des États de l'Afrique de l'Ouest* (BCEAO[5]), and comprises: Benin, Burkina Faso, Côte d'Ivoire, Guinea Bissau, Mali, Niger, Senegal and Togo. The second bloc, the Central African Economic and Monetary Community (CEMAC[6]), also has a regional central bank, the *Banque des États de l'Afrique Centrale* (BEAC[7]), and comprises: Cameroon, Central African Republic, Congo, Gabon, Equatorial Guinea and Chad.

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4 Known in French as UEMOA or *Union Économique et Monétaire Ouest Africaine*
5 BCEAO is the Central Bank of West African States.
6 CEMAC stands for *Communauté Économique et Monétaire d'Afrique Centrale*
7 BEAC is the Bank of Central African States.

The CFA franc was created in 1945 when France joined the Bretton Woods institutions. At that time, it was known as the *Franc des Colonies Françaises d'Afrique* (franc of the French Colonies of Africa). The name of this currency was changed in 1958 to *Franc de la Communauté Française d'Afrique* (franc of the French Community in Africa). Currently, the CFA franc means *Franc de la Communauté Financière d'Afrique* (franc of the African Financial Community) in West Africa, or *Franc de la Coopération Financière en Afrique Centrale* (franc of Financial Cooperation) in Central Africa.

The CFA franc is pegged to the Euro at a rate of 656 CFA francs per Euro and the French Treasury guarantees its unlimited convertibility into Euro. In order to understand the context of the OHADA reforms, in the franc zone countries and beyond[8], it is essential to begin by examining recent developments in French accounting.

In the late 1990s, securities market pressure and the accelerating pace of globalization compelled French accounting regulators to embark on a comprehensive overhaul of the provisions of the *Plan Comptable Général* (hereafter, PCG) relating to consolidated financial statements. Although the ensuing reform programme and parallel developments in some European countries (notably Germany) culminated in the EU Regulation 1606/2002 that sanctioned the adoption of IFRS by listed companies, it also provoked a major crisis in French accounting which arose from tensions between the macroeconomic orientation of the PCG on the one hand and the requirements of private enterprise accounting on the other (see e.g. Hoarau, 1995; Richard, 1996; Collette and Richard, 2000; Elad, 2000). Indeed, Richard (1996, pp.123-129) contends that this crisis epitomizes a long-standing conflict between the perspectives of national statisticians and those of private enterprise accountants that is now seen as a major threat to the survival of the French PCG model in the 21st century. However, to some extent, French accounting regulators managed to shield their domestic accounting

[8] The non-CFA franc zone countries that use the OHADA accounting system are Comoros, Guinea, and the Democratic Republic of Congo.

practices from Anglo-American influences by introducing additional rules in the PCG that require the adoption of IFRS only for the consolidated financial statements of listed companies. As Hoarau (1995, p.229) explains, "France's choice to limit international harmonization to domestic standards for consolidated accounts, which concern only a few companies, has to a certain extent allowed it to resist Anglo-Saxon influence and, at least on the face of it, to avoid upsetting the structure of the existing accounting system".

Whilst the French PCG was being patched up and revamped in the context of global strategies for the convergence of domestic accounting principles with IFRS, its antiquated variants in Francophone Africa remained largely unreformed. In order to protect the sphere of influence of the PCG model against potential contamination from exogenous sources, the *Ordre des Experts-Comptables* published, with the authority of the French Ministries of Economy and Finance, a book entitled *Système Comptable d'Entreprise* which was intended to serve as a blueprint for reform in Francophone Africa and in Eastern Europe (Ministère de l'Economie, des Finances, et du Budget, 1991; Delesalle, 1992; Adams and McMillan, 1997).

But the World Bank emerged as the prime mover in the late 1990s when many African countries began to experience severe economic crises and were compelled to implement structural adjustment programmes as required by the IMF (see, e.g. IMF, 1999, 2000, 2003; World Bank, 2005). These developments have two major implications for accounting in Africa.

First, the World Bank threw its weight behind the IASB's agenda when it recognized IFRS as one of the international standards and codes that promote good governance, transparency and public accountability within its market-oriented reform programme involving privatization, deregulation and trade liberalization (IMF, 2003; World Bank, 2005, 2010a, 2010b). Accordingly, all large corporations and privatized public utilities in countries that receive structural adjustment assistance from the World Bank and the IMF were expected to prepare their financial statements in conformity with IFRS (see e.g. IMF, 1999, 2000, 2003; World Bank, 2005, 2009a, 2009b, 2010a, 2010b, 2010c). This unprecedented strategic alliance between the IASB and the World Bank not only confers legitimacy on IFRS, but also plays an ideological role in bolstering the sectional interests of private capitalist investors as opposed to the public interests (Elad, 2007, p.757). Similar concerns were expressed by Uddin and Tsamenyi (2005, p. 668) when they concluded that, in Ghana, “the IMF, World Bank and Western capitalist states have provided the technical infrastructure and organizational capacity to execute neo-liberal privatization agenda with little regard for protection of the general public”.

Second, another consequence of the World Bank’s market-oriented reforms was the need to modernize the hitherto antiquated variants of French, Spanish, and Portuguese *plans comptables* in some African countries (see, e.g., United Nations, 1991) against the backdrop of growing acceptance of IFRS as a global set of accounting standards. Such external pressures led to the withdrawal of the OCAM PCG, which was incompatible with IFRS, following a very ambitious accounting modernization initiative in Africa’s CFA franc zone that ushered in two new systems, namely: SYSCOA (*Système Comptable Ouest Africain*) PCG for the West African franc zone countries, and OHADA PCG for the franc zone countries in Central Africa (see, e.g. Ollier, 1999; Gouadain, 2000; Pintaux , 2002; Elad 2004). These two broadly identical PCGs[9] were subsequently streamlined and repackaged as a major component of the OHADA treaty (see Elad and Tumnde, 2009, for a detailed analysis). The signatories to this treaty include 14 Francophone African states, one Spanish-speaking country (Equatorial Guinea), one Portuguese-speaking country (Guinea Bissau), and one bilingual country (Cameroon) which uses both French and English as official languages.

[9] Sambe and Diallo (2003) use the acronym SYSCOHADA to denote this accounting model. Other writers refer to it as SYSCOA-OHADA. However, throughout this paper, this accounting system will be referred to as the OHADA accounting system.

All of these countries have a civil law tradition, except for the Anglophone regions of Cameroon, which have the common law legal system.

By and large, the OHADA accounting system attempts to blend the Anglo-American approach with the French uniform accounting model by codifying some of the provisions of IFRS, and incorporating them as numbered articles within its framework, in line with the civil law tradition wherein codes and statutes are highly structured and systematized (Elad and Tumnde, 2009). The following excerpt from an article by Trotman (1999), a British trained accountant, who was a member of the French *Conseil National de la Comptabilité*, encapsulates some of the key features of the OHADA model:

> This new, modern [SYSCOA-OHADA] *plan comptable* is a precursor, in some areas, to the new revised French *plan comptable* which is currently being prepared … An initial contact with the Plan SYSCOA [OHADA] suggests that the system is very sophisticated. It could be said that it is much too sophisticated for the present level of economic development in French speaking West and Central Africa. …A perusal of the documents suggests that the authors have taken a long hard look at what is going on in other parts of the world in accounting terms and tried to take what they considered to be best practice and adapt it to the requirements of African business environment. And at the same time they have tried to develop a system which would be in harmony with international accounting standards and their anticipated evolution. The Plan is also an affirmation of the direction in which the French speaking West African economies wish to move…

However, this paper will demonstrate that the OHADA PCG is incompatible with IFRS and that it will not be possible to make it IFRS compliant without fundamentally disrupting its design and implicit conceptual framework. Throughout this paper, the acronym OHADA PCG will be used in lieu of SYSCOA-OHADA or SYSCOHADA.

3. The Transition from OCAM to OHADA

OCAM was formed in 1965 as a regional organisation representing most of the former French African states and its objective was to promote economic, social, technical, and cultural cooperation. Although OCAM was dissolved in 1985, its enduring legacy is its uniform accounting system that was developed from the French PCG of 1957 and formally adopted by member states of UDEAC[10] (now reconstituted as the Monetary and Economic Community of Central Africa or CEMAC[11]) in 1970. Some commentators have hailed the OCAM PCG as a landmark document in the history of *plans comptables*, not only because it served as a forerunner to the modern French PCGs of 1982 and 1999, but also because it influenced the development of national and regional charts of account in post-colonial Africa, thereby heralding the birth of what is now referred to as the "Francophone school of accounting" (see e.g. Kinzonzi, 1984; Causse, 2002; Gouadain and Wade, 2002, p 111; Pintaux, 2002, p.45; Gouadain, 1995).

The major innovations introduced by the OCAM PCG were: the funds flow statement; a modular income statement incorporating separate sections for gross profit and value added; the inclusion of notes to the accounts; and a requirement that accounting policies be disclosed (OCAM, 1973). None of these items had ever featured in any *plan comptable* up to the time the OCAM PCG was formulated. Furthermore, in Cameroon for example, the framework of the OCAM PCG, and its extensive segmental reporting provisions, dovetailed into a compulsory uniform template for company annual reports and tax returns that were filed with the Department of Taxation and the Department of Statistics and National Accounting. This is laid out in tax return forms known as the *Déclaration Statistique et Fiscale* (DSF). The full DSF report contains over fifty tables, which are ingeniously structured in a manner that leads to the extrapolation of wide-ranging segmental information, by line of business and geographical area, in conformity with a standard industrial classification in respect of goods and services. As Forrester (1983, p 37) observes:

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[10] Union Douanière et Économique de l'Afrique Centrale -- or Customs and Economic Union of Central Africa

[11] Communauté Économique et Monétaire des Etats de l'Afrique Centrale

> The French accounting systems, which have been so widely introduced in the 1970s, prescribe very full disclosure, and the use of business accounts for national statistics and planning. British-style accounts, since the Cohen commission of 1945, have not had such aims; and thus Nigerians and Ghanaians have been taught to think differently. Now they seek to understand their neighbours.

But a number of impediments to the implementation of the OCAM PCG contributed to its eventual demise. These arose from resource issues such as the availability of qualified accountants, education and training of practitioners, the degree of development of equity markets, number and size distribution of companies, and effective regulatory mechanisms in some countries. Such impediments prompted the emergence of several national and regional variants of the OCAM PCG across the continent (see Kinzonzi, 1984, for a detailed analysis), thereby heightening the perceived need for harmonization. Incidentally, in October 1993, OHADA was created by a treaty signed in Port Louis (Mauritius) as a Pan-African organisation with a mission to modernise and harmonise business law in Africa where the Anglophone common law system co-exists with the continental European legal systems of French, Spanish, and Portuguese-speaking countries. This treaty encouraged financial reporting regulators in the franc zone countries to bring accounting principles under the ambit of OHADA law following the civil law tradition.

In summary, although the OCAM PCG offered a valuable tool for bookkeeping and the organisation of accounting records, it was highly deficient in accounting standards relating to many of the income measurement and asset valuation issues that are dealt with in detail by Anglo-American accounting pronouncements. Elad and Tumnde (2009) note that this observation is also applicable to all the other *plans comptables* that were used throughout Francophone, Lusophone, and Spanish-speaking Africa from the colonial era to the late 1990s. The OHADA accounting system was designed to remedy these deficiencies.

4. The OHADA Accounting System

The OHADA accounting system is structured around a Uniform Act on Accounting[12] (hereafter, UAA) and a series of guidance documents[13] that span over 500 pages covering: definition of account codes, routine bookkeeping procedures, model financial statements, accounting rules for specific activities (e.g. agriculture and service concession arrangements), accounting rules for consolidated financial statements, cash flow accounting for micro-businesses, uniform terminology, a nomenclature system for goods and services, and a comprehensive glossary of accounting terms.

This paper is primarily concerned with the UAA and its accompanying guidance document on consolidation accounting[14]. The UAA is presented in seven chapters containing 113 articles of accounting law, which are organised into four parts, as outlined in Table 1.

Table 1

Structure of the OHADA Uniform Act on Accounting

Part 1
Chapter 1: General provisions (Articles 1-13).
Chapter 2: Bookkeeping law (Articles14-24).
Chapter 3: Main financial statements (Articles 25-34).
Chapter 4: Income measurement rules (Articles 35-65).
Chapter 5: Probative value of documents; internal control; and disclosure (Articles 66-73).

Part 2
Chapter 1: Consolidated accounts (Articles 74-102).
Chapter 2: Combined accounts (Articles 103-110).

Part 3
Penal sanctions for non-compliance (Article 111).

Part 4
Final provisions (Articles 112-113).

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12 See the OHADA Uniform Act on Accounting in English at: http://www.ohadalegis.com/anglais/AUcompta_gb.pdf (accessed January 2013)

13 See the guidance documents at: http://www.ohada.org/comptabilite-ohada.html (accessed January 2013).

14 See the full text at http://www.ohadalegis.com/Cptes.Etats.fin.consolides.pdf (accessed January 2013)

Part 1 (Articles 1-73) presents detailed rules relating to fundamental accounting concepts and conventions, routine bookkeeping procedures, and the probative value of accounting records. In Part 2 (Articles 74-102), the OHADA UAA attempts to blend the Anglo-American accounting model with the French uniform accounting system by codifying some of the income measurement and asset valuation rules of IFRS and incorporating them as numbered articles within its framework. However, it is important to note, from the guidance document on consolidated statements, that many of the international accounting standards that were incorporated into the OHADA UAA are outdated versions which have either been revised in recent years or superseded by newer standards: for example, some of its pronouncements on consolidation, joint ventures, goodwill, and extraordinary items. Indeed, it is stated unequivocally in the OHADA guidance document on consolidated statements (OHADA, 2002, p.263)[15] that many of its pronouncements are based on the old international accounting standards that were issued by the now defunct International Accounting Standards Committee.

Furthermore, the UAA introduces a special employee (or human resource) report known as the *bilan social* (literally translated as 'social balance sheet') for the first time in African accounting. All large companies are required under Articles 71 and 111 to prepare and publish a social balance sheet although this is rarely done in practice. The failure to publish a *bilan social* is a criminal offence under Article 111 of the UAA. However, with the exception of Cameroon and Senegal, none of the treaty states have established penal sanctions for violation of the accounting regulations specified in Part 3 of the UAA (Afong, 2009; Dieng, 2011), implying that some offences that are punishable under the penal code in Cameroon or Senegal might go unpunished in other OHADA jurisdictions.

15 See details at: http://www.ohadalegis.com/Cptes.Etats.fin.consolides.pdf (accessed December 2011).

The social balance sheet is a stand-alone report on human resource issues that covers *inter alia* the following matters: workforce demographics such as number of employees by gender, age, job function, and geographical location; wages, salaries, pension and related costs; health and safety conditions; education and vocational training; industrial relations issues and living and working conditions of employees. Elad and Tumnde (2009) observe that there is no comparable practice or legislation in English-speaking countries, nor is the form and content of the social balance sheet defined anywhere in OHADA law. The origins of the notion of a social balance sheet can be traced to the report of a commission on industrial relations reform in France, which was set up in 1974 by the then President Giscard d'Estaing and chaired by Pierre Sudreau (Sudreau, 1975; Delamotte, 1977). The recommendations of the Sudreau Report were subsequently implemented by Law No-77-769 of 12th July 1977, and a related decree of 8th December 1977, which prescribed the form and content of social balance sheets (see, e.g. Fruleux, 2002, p.22). All French companies with more than 300 employees are required by law to publish a *bilan social*.

The historical antecedents of the bookkeeping matters covered in Chapter 2 (Articles 14-24) can be traced to Title III of the French *Ordonnance de Commerce* of 1673, which was instituted by Jean-Baptiste Colbert during the reign of Louis XIV (see, e.g., Howard, 1932). This ordinance (often called *Code Savary* because Jacques Savary was its leading exponent at the time) subsequently inspired the accounting provisions of the Napoleonic Commercial Code of 1807, which, in turn, influenced the development of commercial laws throughout continental Europe, Japan, and beyond. The United Kingdom is the only major European country that did not adopt this model (Walton, 1993, pp.288-289).

In summary, the OHADA UAA has a strong legal orientation. Garnier (1947) used the poignant phrase *la comptabilité, algèbre du droit* (accounting is the algebra of the law) to capture the essence of this distinctively legalistic approach to accounting which underpins the

OHADA PCG, a contemporary exemplar of the long-established French accounting model, which is currently used in seventeen African states. The next section will examine the extent to which the OHADA accounting system is compatible with IFRS. Much of the remainder of this paper will demonstrate that the OHADA accounting system still portrays the distinctive features of the vintage continental European approach which have remained resistant to change in the current era of globalisation and IFRS. Following Nobes (2008), a hypothetical classification of accounting systems in Africa is developed based upon national reactions to IFRS. This classification scheme is then tested using data from the PricewaterhouseCoopers (2011) survey of accounting practices in Africa.

5. IFRS and the OHADA PCG

It was mentioned earlier in this paper that the OHADA PCG is actually a hybrid system that incorporates some Anglo-American concepts into its uniform accounting framework. Although some commentators (e.g. Cairns, 1997; Alexander and Archer, 2000; d'Arcy, 2001) claim that the notion of Anglo-Saxon accounting is now becoming difficult to define in an era of globalization, Nobes (2003, p.99) outlines its distinctive features thus:

> Anglo-Saxon accounting (compared to other forms of accounting) is oriented towards decision-making by investors; it plays down the measurement of taxable income; it is less worried about prudence; it is more willing to go beyond legal form".

In general terms, the main differences between Anglo-Saxon (Class A) accounting and Continental European (Class B) accounting were summarised by Nobes (1998, p.168) as in Table 2.

Table 2

Anglo-American vs Continental European Accounting		
Feature	***Class A***	***Class B***
Provision for depreciation and pensions	Accounting practice differs from tax rules	Accounting practice follows tax rules
Long-term contracts	Percentage of completion method	Completed contract method
Unsettled currency gains	Taken to income	Deferred or not recognised
Legal reserves	Not found	Required
Profit and loss format	Expenses recorded by function (e.g. cost of sales)	Expenses recorded by nature (e.g. total wages)
Cash flow statements	Required	Not required, found only sporadically
Earnings per share disclosure	Required by listed companies	Not required, found only sporadically
Source: Nobes (1998, p. 168)		

It is contended here that, since the OHADA PCG retains all Class B features, it would be virtually impossible to make it fully compliant with IFRS in the absence of sweeping reforms or a complete abandonment of its implicit conceptual framework. The Class B principles enunciated in the OHADA UAA, which are different from IFRS, are considered under separate subheadings below.

5.1 Legal Reserve

In order to protect creditors, limited liability companies in some civil law countries (e.g. France, Belgium and Germany) are required to allocate 5 per cent of their net income for each year to a legal reserve until the reserve equals 10 per cent of nominal capital[16]. Similarly, Article 346 of the OHADA Uniform Act relating to Commercial Companies and Economic Interest Groups requires companies to create legal reserves, equal to 20 per cent of share capital, from annual appropriations of 10 per cent of profits until the required size of the

[16] Other civil law countries have similar requirements. For example, the size of the legal reserve in Spain and Italy is 20 % of issued share capital. In Japan, 10% of retained earnings for each year is set aside as a legal reserve until such reserve equals 25% of share capital.

reserves is reached. This practice is mentioned in Table 2 as a feature of the continental Class B approach to accounting. Legal reserves are not found in the Anglo-American or Class A system that is primarily designed to meet the exigencies of equity markets.

5.2 Long-term contracts

Article 60 of the OHADA UAA allows companies to recognise profit on long-term contracts using either the "percentage of completion method" (*méthode de l'avancement des travaux*) or the "completed contract method" (*méthode de l'achèvement des travaux*). In practice, the latter is the most widely used method, which, as Table 2 shows, is the normal approach in the Class B system. But IFRS do not allow the "completed contract method" wherein profit can only be recognised on completion of a project. Under IAS 11, the percentage-of-completion method is used when the outcome of a contract can be estimated reliably and no loss is expected.

5.3 Cash flow statements

Prior to the adoption of the OHADA UAA, cash flow statements were not included in any of the *plans comptables* that were used in Africa. However, the cash flow statement imposed by the UAA (referred to as TAFIRE or *Tableau Financier des Ressources et des Emplois*) has a fundamentally different structure from that prescribed under IAS 7. For example, the TAFIRE consists of a cumbersome series of tables that are intended as a template for determining sources and applications of funds. This presentation format is clearly out of line with IAS 7. Furthermore, it has a strong emphasis on working capital as opposed to cash. Unlike IAS 7, it does not allow companies to use the "direct" method of preparing cash flow statements.

A recent World Bank survey on the implementation of the OHADA PCG in the Republic of Congo reveals that there was no TAFIRE in the financial statements of some major companies and that many practitioners do not understand its relevance or purpose (World Bank, 2010a, p 29). Similar surveys conducted in other CFA franc zone countries (Ivory Coast, Burkina Faso, and Mali) indicate that its implementation is patchy in some states and many practitioners in the region have questioned its usefulness (World Bank, 2009a, 2009b, 2010c). Perhaps the lack of appreciation of the TAFIRE by accountants in OHADA treaty states could, in part, be explained by the fact that cash flow statements are not an established feature of Class B accounting, as indicated in Table 5, and many practitioners are coming to grips with it for the first time.

5.4 Foreign Currency Transactions

IAS 21 requires all unsettled foreign currency gains or losses to be taken to income. Article 54 of the OHADA UAA is clearly not in conformity with IAS 21 because it stipulates that unsettled gains on foreign currency transactions should be excluded from income whereas unsettled losses are recognized in income. This conservative treatment of unsettled currency gains and losses is one of the main differences between Anglo-American practice and the Class B approach.

5.5 The "By Nature" Income Statement Format

The OHADA income statement has a macroeconomic orientation which requires that costs be grouped according to their nature (e.g. depreciation, raw materials, personnel, etc) whereas the Anglo-American "by function" format classifies costs according to functional cost centre: i.e. production, administration, or distribution. However, when the results of the entire enterprise are collated, the "by nature" income statement will only indicate total costs such as total personnel expenses, total depreciation, or total purchases, as opposed to components of these costs that relate to a specific product or cost centre. Hence, unlike the "by function" approach, it does not allow the calculation or disclosure of "cost of goods sold" (see e.g. Elad, 2000).

Table 3

Abridged "By Nature" Income Statement (adapted from the OHADA *système normal*)

Commercial margin[1]	X
Production sold[2]	X
Production added to inventory[3]	X
Production capitalized	X
Total production for period	XX
Less intermediate consumption:	
Raw materials & other consumables	(X)
Value added	XX
Less	
Operating expenses	(X)
Depreciation & provisions	(X)
Personnel expenses	(X)
Tax	(X)
Operating profit after tax	XX

[1]This is the gross profit relating to goods purchased from external sources for resale.
[2] Sales of finished goods and services
[3] This relates to the change in inventory of finished goods and work in progress.

The rationale behind the "by nature" approach is the need to measure an entity's total production and value added for a given financial year. It is important to note that "commercial margin" in Table 3 is actually the gross profit derived from goods purchased from external sources for resale, and that it does not relate to a company's internal production. Hence, if we ignore this item, it could readily be seen that corporate value added in Table 3 is the difference between output (i.e production sold, production added to inventory, and production capitalized) and input (i.e. raw materials and other intermediate consumption for the reporting period).

The term "intermediate consumption" in the French and OHADA PCGs is not normally used in Anglo-American financial accounting although it is widely used in national income accounting. Both the United Nations System of National Accounts and the European

System of National and Regional Accounts define intermediate consumption as: “ the value of goods and services consumed as inputs by a process of production excluding the consumption of fixed assets which is recorded as the consumption of fixed capital” (European Commission, 2005). The use of this term in the OHADA income statement reflects its macroeconomic and national income accounting underpinnings.

Another implication of the macroeconomic orientation of the “by nature” income statement is that it does not require companies with manufacturing operations to disclose prime cost data or “cost of goods sold”. In this regard, Collette and Richard (2000, p.120) point out that the concept of “cost of goods sold” is alien to French (and, by implication, OHADA) accounting and that it is impossible to derive it from any income statement that is based on the PCG. Colasse (1993, pp.186-187) makes similar observations.

Interestingly, Jean-Pierre Lagrange, a leading figure in French accounting (see, e.g., Levant and Nikitin, 2012, pp. 443-444) who served as a Finance Director of La Redoute, and member of the *Conseil National de la Comptabilité*, admitted that he experienced a culture shock, during a study visit to the USA, when he discovered that American companies follow a fundamentally different approach in preparing their income statements. Specifically, Lagrange (1990, p.x.) discovered that, unlike the practice under the PCG where expenses are classified by their nature, American income statements follow a classification of expenses by functional cost centre “using a notion that was new to me, that of cost of goods sold”. Some French authors (e.g. Colasse, 1993, pp.186-187; Pilverdier-Latreyte, 1989, p.31) have also acknowledged these fundamental differences in the structure of French and Anglo-American income statements.

In summary, although IAS 1 allows both the “by nature” and the “by function” approaches, there are clear international differences in the choice of income statement format in countries with predominantly Class A or Class B accounting as shown in Table 4.

Table 4

Structure of Income Statements

Country	Shape	Cost classification
OHADA Treaty States	Two-sided	By Nature
France	Two-sided[17]	By Nature
Spain	Two-sided	By Nature
Germany	Vertical	By Nature
Anglophone African countries	Vertical	By function
United Kingdom	Vertical	By function
United States	Vertical	By function
Japan	Vertical	By function

Source: Adapted from Nobes (2006, p 45)

5.6 Deferred Taxation

Deferred taxation arises in Anglo-American accounting because accounting practice differs from tax rules. By contrast, OHADA accounting largely follows tax rules. This means that deferred taxation is not a very significant issue for individual companies. However, deferred tax is mandatory for consolidated accounts under Articles 89 and 92 of the OHADA UAA.

5.7 Other Differences

There are many other differences[18] between OHADA and IFRS that do not relate to the points outlined in Table 3. For example, contrary to IFRS, Articles 30-31 of the OHADA UAA state that companies should make a clear distinction between ordinary and extraordinary items (*hors activité ordinaire*) in their main financial statements. This practice is specifically prohibited under IAS 1.

Another difference is that Article 96 of the UAA states that a subsidiary company should be excluded from consolidation when there are severe long-term restrictions that

[17] Except that some French groups use a vertical format.

[18] See World Bank (2005) for a comprehensive review of the major differences between OHADA accounting principles and IFRS.

impair its ability to transfer funds to the parent company. Such an exemption is not allowed under IAS 27 (revised 2003), and the new IFRS 10, although it was allowed under earlier versions of IAS 27. In revising IAS 27 in December 2003, the IASB concluded that restrictions on the transfer of funds from a subsidiary to a parent company do not in themselves preclude control.

Also, proportionate consolidation is the only accounting method allowed for joint ventures under Article 84 of the UAA whereas IAS 31 permits both the equity method and the proportionate consolidation method. But the recently issued IFRS 11 has eliminated the proportionate consolidation option.

Some of these differences can be dealt with by updating OHADA law to reflect current IFRS. But the differences that relate to the Class B features in Table 5 cannot be eliminated by simply updating OHADA law to incorporate current IFRS because they are firmly rooted in a fundamentally different approach that underpins the design of PCGs in France. Furthermore, accounting standards that require valuation at fair value, and the recognition of unrealised gains or losses in income, are totally incompatible with the design of the OHADA model. For example, Elad and Herbohn (2011) have shown that the successful implementation of IAS 41 in agricultural undertakings in CFA franc zone countries could signal the demise of the OHADA PCG because it is not possible to incorporate the notion of fair value into this PCG without fundamentally disrupting its underlying philosophy and implicit conceptual framework. Colasse (2009) echoes similar concerns in stating that the notion of fair value is incongruous with the design of the OHADA accounting system.

6. A Hypothetical Classification of Accounting Systems in Africa

Generally speaking, the history of accounting in Africa can be periodized into three distinct phases, namely: the colonial era, the early post-colonial period (1967-1998), and the current era of globalization (1998 onwards).

During the colonial era, the accounting systems that were used in Africa were essentially those of the imperial powers who partitioned and colonized the continent as shown in Figure 1. According to Nobes' (1983) pioneering classification, these accounting systems can be classified broadly into two groups: the Anglo-Saxon or Anglo-American "judgmental accounting approach" and the Franco-German "uniform accounting" model. Most African countries simply adapted one of these dominant models, usually whichever one was imposed during the colonial era, or transmitted through trade and foreign direct investment by multinational companies.

But the continued relevance of these colonial legal and accounting systems to different national settings came under increased scrutiny in some countries in the post-colonial period. Parker (1990) echoes this point from the perspective of an expatriate British accountant who worked in Nigeria in the 1950s. For example, Parker's involvement in the registration of the then newly formed Nigerian Airways, under the British Companies Act of 1908, led him to the conclusion that the transposition of British law to colonial West Africa did not necessarily constitute progress. Similarly, Briston (1978) argued that these Companies Acts were designed to protect nineteenth century British capitalism and were quite advanced even for the developed UK economy at that time, let alone for a newly independent African country. A similar point was made by Okike (2004, p. 712) who notes that, by mimicking the UK's Companies Act, the Nigerian Companies Act of 1968 failed to deal with country-specific issues relating to economic and commercial development.

Figure 1

Classification of Accounting Systems in Africa in 1992

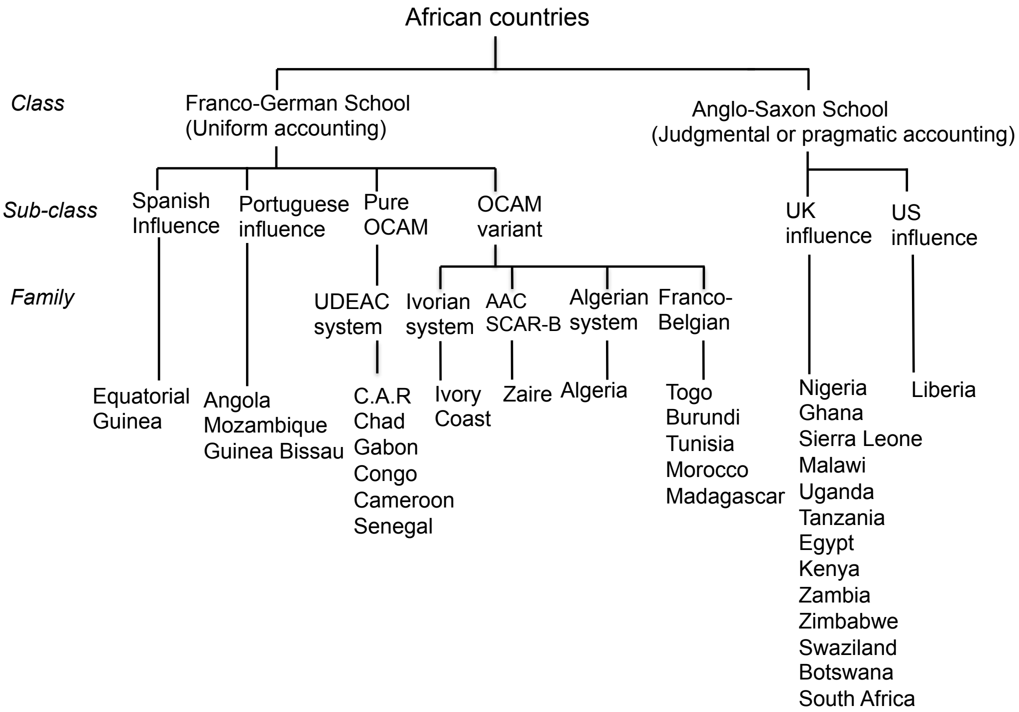
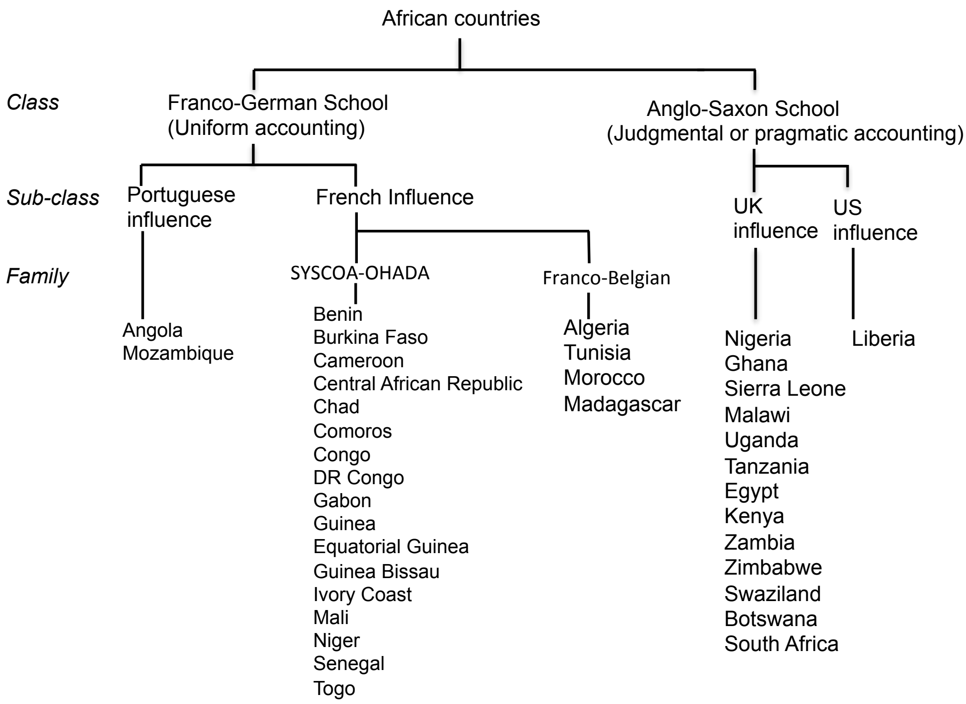


Figure 2

Classification of Accounting Systems in Africa: 2005-2014



Nonetheless, the post-colonial period witnessed some modest attempts at developing new company laws that are responsive to the exigencies of accounting and financial reporting in a number of independent African states. For instance, in 1990, a Companies and Allied Matters Act was promulgated in Nigeria, having regard to its unique social and economic circumstances (World Bank, 2004; Uche, 2002; Okike, 2004). One major socio-economic problem, which emerged in Nigeria during the post-colonial era, relates to high levels of corruption fuelled by oil revenues and military rule. As Wallace (1992) and Okike (1994) observe, audits are generally ineffective in an environment where corruption is rife and where some auditors themselves might be prone to corruption. In response to these challenges, Section 359(2) of the Nigerian Companies and Allied Matters Act of 1990 (before its repeal) required the auditors' report to be countersigned by a legal practitioner. This departure from established practice in the UK was a clear (albeit unsuccessful) attempt to regulate the conduct of accounting practitioners in an environment where corruption is endemic and the public had lost confidence in auditors (for a detailed discussion, see Wallace, 1992; Okike, 1994).

Furthermore, the Nigerian Companies and Allied Matters Act of 1990 requires all listed companies to prepare and publish value added statements. This is in line with the recommendations of scholars (e.g. Enthoven, 1973, 1977; Briston, 1984; Rahman, 1990; Samuels, 1990) who suggest that the local value added statement is relevant to the needs of developing countries because it can be used by governments and other stakeholders to assess the impact of multinational companies on host countries.

At the continental level, the need to modernize the colonial accounting systems resulted in the formation of the African Accounting Council (AAC) in 1979. Although it is currently in a state of dormancy, the AAC was granted the status of a specialised agency of the Organization of African Unity (OAU) -- now the African Union (AU) – that offers assistance to institutions in member countries on the development of accounting standards. But the AAC subsequently embarked on a so-called SCAR-B (*Système Comptable Africain de Référence de Base*) project that turned out to be more or less a replica of the now defunct OCAM PCG shown in the hypothetical classification in Figure 1 (see also Delesalle, 1987). In 1992, Zaire, a former Belgian colony, was using this SCAR-B system as shown in Figure 1. However, in 1997, the country changed its name to Democratic Republic of Congo and subsequently signed the OHADA treaty. This means that its accounting system changed from SCAR-B in 1992 to OHADA during the period 2005-2014 as set out in Figure 2.

Similarly, the accounting system in Guinea-Bissau, a former Portuguese colony, was classified under "Portuguese influence" in 1992 as in Figure 1. However, Guinea-Bissau signed the OHADA treaty in 1993, adopted the CFA franc in 1997, and changed its accounting system from the Portuguese model to OHADA, thus justifying its classification under "French influence" in the current era of globalisation in Figure 2. Also, Equatorial Guinea, a former Spanish colony, abandoned the Spanish accounting system it inherited from colonial rule, shown in the 1992 classification, when it signed the OHADA treaty in 1993. This justifies its classification under "French influence" in the current era of globalisation (2005-2014).

In 2002, the French Accounting Association (*Association Française de Comptabilité*), which was established in 1979, changed its name to the Francophone Accounting Association (*Association Francophone de Comptabilité*), expanding its membership to include all French-speaking countries, particularly those in Africa. At first sight, one might think that this was just a cosmetic name change. But closer examination indicates that it could have been part of a strategy to consolidate and sustain a common attachment to the French approach to accounting in the face of globalization and Anglo-American dominance under the banner of

IFRS. Hence this name change clearly mirrors the transition from the classification scheme in Figure 1 to that in Figure 2.

Nobes (2011) suggests that the classification scheme for the current era of globalization in Figure 2, which presents a dichotomous split of countries into "Anglo" and continental European models, can be used to explain the way in which national financial reporting systems are converging with IFRS. The next section uses data on accounting regulation in Africa to test Nobes' (2008) hypothesis that a country's reaction to IFRS can be predicted by its pre-IFRS accounting system.

7. Test of the Judgmental Classification in Figure 2

The classification scheme in Figure 2 makes a clear distinction between the Franco-German School (uniform accounting) on the one hand and the Anglo-Saxon School (judgemental or pragmatic accounting) on the other. But this distinction has been challenged by a number of researchers (e.g. Cairns, 1997; Alexander and Archer, 2000; and d'Arcy, 2001). However, Nobes (2003, 2004, 2011) contends that those who dispute the two-group classification fail to find it because: they concentrate on the regulatory system rather than on accounting practices (e.g. Alexander and Archer, 2000); or they concentrate on non-representative accounting (i.e. the consolidated statements of a few large companies in continental Europe, e.g. Cairns, 1997); or they use erroneous data (e.g. d'Arcy, 2001).

The dichotomy between the Anglo-Saxon approach and the Franco-German model in Figure 2 was reformulated in broader terms as a dichotomy between Class A (strong equity, commercially driven) accounting versus Class B (weak equity, government-driven, tax dominated) accounting in subsequent classifications by Nobes (1998, 2008). Accordingly, the validity of the two-group hypothetical classification in Africa, shown in Figure 2, is tested in this paper using a similar approach to that used in Nobes' (2008) classification which focuses on national reactions to IFRS. This is based on the premise that there are systematic differences in the way in which countries around the world have responded to IFRS. For example, some have: (i) adopted IFRS for all financial reporting (e.g. South Africa); or (ii) made a special national version of IFRS for all reporting (e.g. Australia); or (iii) required IFRS for consolidated reporting by listed companies and allowed it for other reporting (e.g. the UK); or (iv) required IFRS for certain purposes but not allowed it for others (e.g. France); or (v) prohibited IFRS for all statutory filings (e.g. Senegal and Ivory Coast).

A test of the validity of the two-group classification scheme in Figure 2, based upon national reactions to IFRS, was carried out using recent PricewaterhouseCoopers (2011) survey data covering 30 African countries. This survey provides detailed information that can be used to assess the extent to which national regulators allow or require IFRS for various purposes. Each of the 30 African countries was assigned an IFRS adoption score, based on the information in the PricewaterhouseCoopers survey data, as set out in Table 5 below:

Table 5: National Reactions to IFRS

Use of IFRS		Score
Listed companies	IFRS are prohibited for the preparation of financial statements for any listed companies.	0 points
	IFRS are permitted for the preparation of financial statements of listed companies.	1 point
	IFRS are required for the preparation of financial statements of listed companies.	2 points
Version of IFRS	None	0 points
	Country adaptation of IFRS	1 point
	Only IFRS as published by the IASB are allowed	2 points
Listed and non-listed companies	IFRS are prohibited for statutory filings	0 points
	IFRS are permitted for statutory filings	1 point
	IFRS are required for statutory filings	2 points
Maximum possible IFRS adoption score for country		6 points

The full results showing the IFRS score for each of the 30 African countries that are included in the PricewaterhouseCoopers survey are presented in Table 6.

Table 6

Adoption of IFRS in Africa

Country	IFRS for listed Companies[1]	IFRS for statutory Filings[2]	Version of IFRS[3]	Total	IFRS Score (%)	IFRS for SME	Local GAAP
South Africa	2	2	2	6	100	Permitted	IFRS
Botswana	2	2	2	6	100	Permitted	IFRS
Kenya	2	2	2	6	100	Permitted	IFRS
Malawi	2	2	2	6	100	Permitted	IFRS
Namibia	2	2	2	6	100	Permitted	IFRS
Swaziland	2	2	2	6	100	Permitted	IFRS
Tanzania	2	2	2	6	100	Permitted	IFRS
Zimbabwe	2	2	2	6	100	Permitted	IFRS
Mauritius	2	2	2	6	100	Prohibited	IFRS
Zambia	2	2	2	6	100	Prohibited	IFRS
Uganda	2	2	2	6	100	Prohibited	IFRS
Ghana	2	1	2	5	83	Permitted	IFRS
Algeria	2	2	1	5	83	Permitted	Algerian GAAP
Libya	2	0	2	4	67	Prohibited	Libyan GAAP
Mozambique	2	1	1	4	67	Prohibited	Mozambique GAAP
Morocco	1	0	2	3	50	Prohibited	Moroccan GAAP
Madagascar	0	0	0	0	0	Prohibited	Malagasy GAAP
Nigeria	0	0	0	0	0	Prohibited	Nigerian GAAP
Angola	0	0	0	0	0	Prohibited	Angolan GAAP
Egypt	0	0	0	0	0	Prohibited	Egyptian GAAP
Tunisia	0	0	0	0	0	Prohibited	Tunisian GAAP
Cameroon	0	0	0	0	0	Prohibited	OHADA
Chad	0	0	0	0	0	Prohibited	OHADA
Cote D'Ivoire	0	0	0	0	0	Prohibited	OHADA
DR Congo	0	0	0	0	0	Prohibited	OHADA
Equ. Guinea	0	0	0	0	0	Prohibited	OHADA
Gabon	0	0	0	0	0	Prohibited	OHADA
Guinea	0	0	0	0	0	Prohibited	OHADA
Congo	0	0	0	0	0	Prohibited	OHADA
Senegal	0	0	0	0	0	Prohibited	OHADA

[1]IFRS for listed companies: 0=Prohibited; 1=Permitted; 2=Required.

[2]IFRS for statutory filings: 0=Prohibited; 1=Permitted; 2=Required.

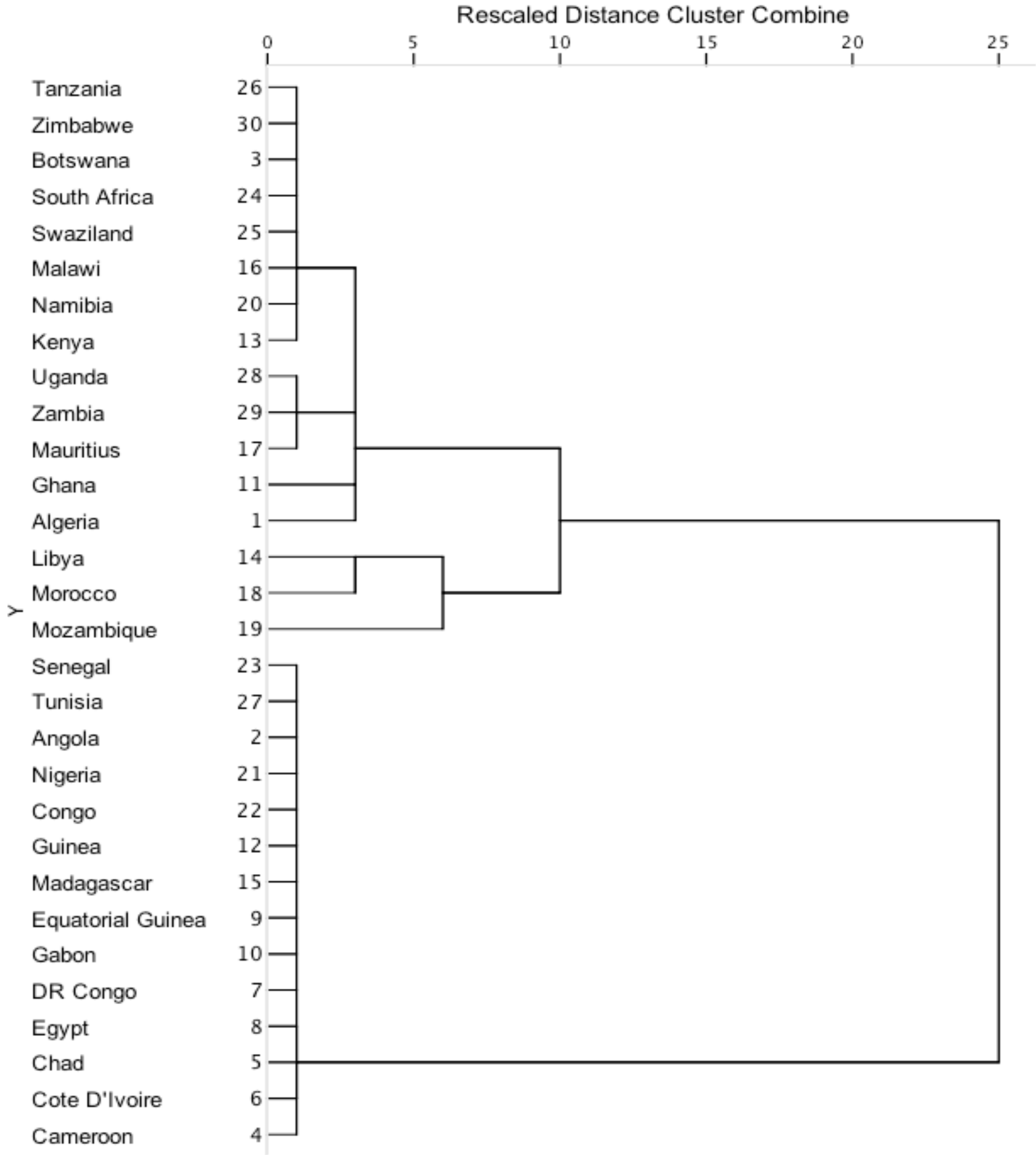
[3]Version of IFRS: 0=None; 1=IFRS adapted by country; 2=IFRS as published by the IASB.

Most of the countries that fall under the “Anglo-Saxon School” (or Class A) have IFRS scores of at least 83%. By contrast, the vast majority of African countries that are classified under the “Franco-German School” (or Class B) have extremely low scores.

Given the exploratory nature of this study, and the data available, a hierarchical cluster analysis was used to further test the validity of the classification scheme in Figure 2. Doupnik and Salter (1993) adopted this approach in their empirical investigation of the validity of the judgmental classification of financial reporting systems proposed by Nobes (1983). In the present study, a hierarchical cluster analysis was carried out using Ward’s method applying the squared Euclidean Distance as the similarity measure. The Statistical Package for Social Sciences (SPSS) was employed in the analysis which involved the following variables: IFRS required for listed companies; IFRS mandatory for statutory accounts; version of IFRS; and adoption of the IFRS for SMEs. The first three of these ordinal variables were coded in SPSS as in Table 6. However, the adoption of the IFRS for SMEs was coded as “1” for permitted and “0” for prohibited.

The results of the cluster analysis are summarized in the dendrogram in Figure 3, which reveals a two-group classification of countries, and provides strong support for the judgmental classification in Figure 2. Interestingly, all the CFA franc zone countries in this study fall within the Class B cluster in Figure 3. Nonetheless, some Class B countries (e.g. Algeria, Morocco and Mozambique) have moderate IFRS adoption scores and fall within subgroups in the Class A cluster in Figure 3. These results reflect the fact that the full IFRS, and the IFRS for SMEs, have replaced domestic GAAP for statutory reporting in many Class A African countries such as South Africa, Botswana, Kenya, Swaziland, Namibia, Malawi, Tanzania, Uganda and Zimbabwe.

Figure 3: Hierarchical Cluster Analysis Dendogram



But there are a few countries with Class A accounting systems that are classified as Class B in Figure 3. For example, Egypt and Nigeria are shown in the Class B cluster because the full IFRS, and the IFRS for SMEs, were prohibited for statutory reporting purposes in both countries at the time the PricewaterhouseCoopers survey was conducted. It should be noted, however, that the President of Nigeria signed into law the Financial Reporting Council Act in June 2011, authorising a phased transition to IFRS with effect from January 2012 (Nigerian Accounting Standards Board, 2011). As such, the switch to IFRS in Nigeria, which commenced on 1st January 2012 for listed companies, was not taken into account in this study because the PricewaterhouseCoopers survey was conducted in April 2011. This means that Nigeria should be in the Class A cluster in Figure 3. Similarly, it is likely that some of the countries in this study that do not currently allow IFRS might do so in the future.

Both the full IFRS and the IFRS for SMEs are prohibited for statutory reporting purposes in OHADA jurisdictions. Companies that are listed on a stock exchange in OHADA treaty states are not allowed to report under IFRS although some accounting practitioners and local professional accountancy bodies in the region, and the World Bank, are clamouring for OHADA to join the IFRS bandwagon (see, e.g. Klutsch and Nguema, 2010; Bruce, 2011).

In summary, the findings of this study confirm the two-group classification scheme in Figure 2 and Nobes' (2008) hypothesis that "weak equity" countries are slower to converge their national systems with IFRS. The pattern of adoption of IFRS for different purposes by the 30 African countries reveals a clear dichotomy between Class A (strong equity, commercially driven) and Class B (weak equity, government-driven, tax dominated) accounting systems on the continent. But it would be remiss not to point out that the classification scheme in this study focuses only on the nature of accounting systems rather than on their relevance to the environmental settings of the countries that have adopted them. For example, although it was found that Malawi has a Class A accounting system, the extent to which local practitioners there can apply IFRS correctly, and the question as to whether this accounting system is relevant to local needs, were not considered. The capacity for countries to implement the standards was noted as a key issue by Paul Pacter, Board member at the IASB and pioneer of the IFRS for SMEs project, when he pointed out: "Africa has been as receptive as any part of the world to IFRS, and probably more so … the issue has been more how to ensure good quality implementation rather than persuading the countries to adopt" (cited in Bruce, 2011, p. 2). Nobes (1998, p.29) goes further in his observation that full-scale Anglo-American financial reporting may be impossible, or a ridiculous luxury, in some developing countries with few trained accountants and a severe shortage of qualified external auditors. The remainder of this paper examines some of the unique features of the OHADA model, used in the CFA franc zone, and why it continues to portray all the hallmarks of the vintage continental or Class B approach despite the unprecedented success of IFRS as a global set of financial reporting standards and external pressure for reform from the World Bank and the IMF.

8. OHADA PCG in the Era of IFRS

The relevance of international accounting standards to African countries was questioned by a number of writers during the 1970s and 1980s (e.g. Enthoven 1973a; 1973b, Briston, 1978; Samuels and Oliga, 1982; Perera, 1985; Hove, 1986; Chamisa, 2000). The most common criticism emerging from these studies is that the design of international accounting standards is largely predicated on the assumption that the mission of accounting is to provide relevant information that will help rational investors make investment decisions. Elad (2007) has argued that this objective pays lip service to the public interest because it de-emphasises the requirements of other stakeholders. For example, it may not adequately meet the needs of tax authorities, government agencies, environmental campaigners, stakeholder advocacy organisations, national statisticians, macroeconomic planners, and trade unions in some countries. It is precisely for this reason that the OHADA UAA requires: the publication of social balance sheets by large entities; the compulsory inclusion of value added statements in all statutory filings; and a strong link between accounting and tax rules. This means that, unlike IFRS, the OHADA model was designed to meet the needs of a broader range of stakeholders who are deemed to be more important in the countries concerned (see e.g. Colasse, 2009).

It is also for this reason that France and Germany have prohibited the use of the IFRS for SMEs for statutory filings. Both countries rely on their accounting systems for tax collection. IFRS are currently prohibited for statutory filing purposes in France. In Germany, statutory accounts must be prepared in accordance with local GAAP (referred to as Handelsgesetzbuch or HGB). Colasse (2009) provides a neat summary of some of the foregoing issues in Table 7, pointing out that the outstanding differences between the Anglo-American and the continental European approaches to financial accounting are likely to pose formidable obstacles to the convergence process.

Table 7

Anglo-American Accounting versus the Continental European System

	Shareholder oriented Anglo-Saxon model	**Stakeholder-oriented Continental European model**
Users of accounting information.	Essentially actual and potential investors.	A broad range of users: business associates, creditors, government, tax authorities, employees, etc.
Accounting principles and criteria	• True and fair view. • Substance over form. • Fair value.	• Be in accordance with the rules. • Cost less accumulated depreciation.
Scope for exercising professional judgement	Wide	Small
Link between taxation and accounting	Weak	Strong
Role of accounting	Decision usefulness	Accountability to stakeholders

Source: Author’s translation of table in Colasse (2009, p.28)

In summary, it might be possible to update the OHADA UAA by incorporating some IFRS that do not affect the major differences between Class A and Class B approaches to accounting highlighted in Table 2 and Table 7. However, it would be virtually impossible to incorporate those that are incongruent with the strong macroeconomic, legal, and fiscal bent of the OHADA UAA in the absence of far-reaching reforms. The OHADA accounting framework provides a robust and elaborate template for bookkeeping and for filling in tax returns. As such, it might play a vital role in safeguarding against fraud and doctoring of accounts, particularly in some developing countries where accounting information and tax returns are generally unreliable.

The forgoing analysis explains why the OHADA model continues to portray all the hallmarks of the vintage continental or Class B approach despite the unprecedented success of IFRS as a global set of financial reporting standards and external pressure for reform from the World Bank and the IMF.

9. Conclusion

This paper has reviewed the evolutionary history of accounting in Africa from the early years of independence to modern times and arrived at the conclusion that the continental European legalistic and fiscal approach to accounting in the CFA franc zone countries has not been obliterated by the advent of IFRS as a global set of accounting standards endorsed by the World Bank, IMF, international securities markets, and other agencies.

A two-group classification of accounting systems in Africa was developed and tested, on a preliminary basis, using data from the PricewaterhouseCoopers (2011) survey. It was found that the pattern of adoption of IFRS in African countries reveals a clear dichotomy between the Class A accounting practices of countries that were once British colonies and protectorates, on the one hand, and the Class B practices of CFA franc zone countries on the other. Full convergence with IFRS, or the IFRS for SME, in the franc zone countries will only be possible if they abandon the OHADA accounting system since its implicit conceptual framework is irreconcilable with Anglo-American influenced international accounting standards.

Another impediment to the adoption of IFRS in CFA franc zone countries is that accounting standards are set on a supranational basis and OHADA's Council of Ministers must approve any changes to the accounting law. These bureaucratic hurdles make it difficult for OHADA to be more responsive to new accounting issues that emerge in practice or to keep pace with changes in IFRS. In 2008, an advisory body known as the *Commission de Normalisation Comptable* (CNC-OHADA) was created to advise the Council of Ministers in its de facto role as accounting standard setter. The CNC-OHADA coordinates the work of national accounting councils (*Conseils Nationaux de la Comptabilité*), and the regional accounting council for West Africa (*Conseil Comptable Ouest Africain* or CCOA), and provides authoritative guidance on the interpretation of OHADA accounting regulations.

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