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Accounting Rules And Principles In Analysis: A Qualitative Study In Tunisia

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Abstract
Through this approach, we have sought to know whether compliance with accounting principles is indeed sufficient for the objective of true and fair view to be achieved. In other words, the faithful image of a standardized accounting through the summary statements is an easily achieved objective, notwithstanding the value of the staff and the quality of the management. To circumscribe our approach, and study the effect of compliance with accounting principles on the faithful image, we resorted to semi-structured interviews. The results we have reached reveal that by systematically expressing the facts in financial flows, this leaves out the accounting of very important factors in the life of the company. This is first the quality of its management and then the value of its staff, and more particularly its manager who has more control than the owners themselves on the value of the company and on the risks incurred
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INTRODUCTION

Accounting is a discipline that meets a legal need insofar as its keeping is a legal obligation resulting from the provisions of accounting law, tax law and the commercial code (Baud & al., 2021).

Generally, each year, summary documents reveal the company's assets and financial situation. These documents are made mandatory by law to give a true image of the company to enable it to make any necessary corrections. The law also allows companies to make exceptions to this principle, when the application of these documents does not make it possible to obtain this faithful image (Cordazzo & Rossi, 2020).

However, the question should be asked whether the production of such documents, drawn up in compliance with accounting rules and principles and the related derogations, is sufficient to obtain a faithful image.

We will try, throughout this process, to provide some answers to this central question. We will also be tempted to know, through this research, whether it is necessary to take into account the value of the company's personnel and the quality of its management for the objective of the faithful image assigned to accounting, in particular through, the states of synthesis, can be reached.

In what follows, we will focus, in the light of accounting rules and principles, on the analysis of the faithful image in the Tunisian context. Thus, we will try to provide an answer to our problem, by following a plan comprising three sections. The first is synthetic, in which we will particularly expose the Tunisian accounting standards, and the lessons of the main rules that affect our field of research.

In this research work, we will propose thus avoiding that this approach is confined to the level of the simple review of accounting rules and principles. In this sense, the technique of semi-structured interviews will serve as the main instrument of investigation, and will be the subject of our second section.

In the third, we will give the results of the semi-structured interviews. From there, we will make a few observations that seem interesting to us in order to suggest avenues to be explored during future research. In the conclusion, we will recall the main results of our study, we will insist on its limits and we will propose new avenues for research.

THEORETICAL FRAMEWORK

The Tunisian accounting system is governed by Law No. 96-112 of December 30, 1996 and Decree No. 96-2459 of December 30, 1996, approving the conceptual framework of accounting (Ghorbel, 2019). It is designed to meet two overriding objectives of accounting standard setting, which are to

- To put information at the service of the management of companies but also at the service of all stakeholders.
- To enable summary documents to reflect a true and fair view.

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Thus, the information, both internal and external is one of the main functions of the Tunisian accounting system to a large number of recipients, to give them a true picture (Krichene & Baklouti, 2021). However, we must remember that the true and fair view is not in itself an accounting principle, it is rather an objective assigned to accounting through the summary statements, as explained by the Order of Chartered Accountants in Tunisia (OECT): "The summary statements must give a true and fair view of the assets, financial position and results of the company. Moreover, law n°9-88, in its article 11 stipulates: "*The summary statements must give a true and fair view of the assets and liabilities as well as of the financial situation and results of the company. To this end, they must include as much information as is necessary to give a true and fair view of the assets and liabilities as well as the financial situation and results of the company. Where the application of an accounting requirement is not sufficient to give a true and fair view as referred to in this article, additional information must be given"* (Ghrab & al., 2022).

We can thus deduce that the role of the complementary information is important to reach the objective of the faithful image. In addition, it should be noted that both the Order of Chartered Accountants in Tunisia (OCAT), and the law n°9-88 give a capital importance to the objective of the true and fair view (Abdelmoula, 2021). Thus, it is allowed to the companies to bring exceptions to the rules and principles when their does not allow to obtain this faithful image. The company could thus deviate from the principle of consistency of valuation methods if this deviation would contribute to obtaining a true and fair view. Nevertheless, it should be noted that such deviations from the rules and principles are only tolerated in exceptional cases. They must be frankly mentioned and motivated in the summary statements and must indicate their influence on the assets, on the financial situation and on the results of the company, as stipulated by article 19 of law n°9-88: "*If, due to situations specific to the company, the application of an accounting requirement of this law does not allow for a true and fair view of the assets and liabilities, the financial situation or the results, it may be derogated from, such derogation shall be mentioned in the statement of additional information and duly motivated, with an indication of its influence on the assets, liabilities, financial situation and results of the company.*"

The financial statements must be effectively useful, both from a fiscal point of view and from an economic and financial point of view, to the company itself, to third parties and to its direct partners, including suppliers, customers, employees, bankers and other lenders, partners and the public authorities (Faccia & al., 2019).

Seven fundamental accounting principles are retained by the law, which, when applied normally by the company, result in summary statements that reveal, to all stakeholders, a picture as faithful as possible of its assets, its financial situation and its results (Levytska & al., 2020; Bindseil, 2019; Hasanaj & Kuqi, 2019; Peng, 2019; Weygandt & al., 2019):

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1) Going concern principle: this principle implies that depreciation continues in the usual way and over the long term. The assets are valued at their value in use and not at their possible liquidation value.

   The operator is presumed to continue its activities. The operator is presumed to be a going concern. This means that it is assumed that the company will continue its activity in the future.

2) Principle of consistency of methods: This accounting principle stipulates that companies are required to follow the same procedures and the same accounting rules from one year to the next. It is a convention that encourages the company to prepare its annual accounts in accordance with the same valuation rules as in previous years, to allow comparison in time and space.

3) Historical cost principle: This is the convention by which the company accounts for all its transactions in constant current monetary units, regardless of subsequent changes in the purchasing power of the currency.

4) Principle of specialization of the financial years, otherwise known as the "principle of independence of the financial years": this is a convention by which the company calculates the result of each financial year by charging to each of them the income, which is attached to it, as well as the corresponding expenses.

5) Principle of prudence: This is a convention by which the company only takes into account income when it is certain and definitively acquired by the company and takes into account expenses when they are probable. The Commercial Code and the General Chart of Accounts specify certain applications of the principle of prudence, among which we can cite:

   1. The fact of making the necessary provisions even in case of absence or insufficiency of profit.
   2. The fact of taking into account the risks and losses that have occurred during the fiscal year or a previous fiscal year.
   3. Entering in the accounts only the profits made at the closing date of a financial year.
   4. Writing down the value of an asset if it falls below the net book value.
   5. Not recording the increase in value between the inventory value of an asset and its entry value.

6) Principle of clarity: According to this principle, transactions must be entered in the accounts under the appropriate heading, with a corresponding name. Similarly, the elements of the summary statements must be entered under the appropriate headings. Assets and liabilities must be valued separately. No offsets may be made between assets and liabilities in the balance sheet or between expenses and income.

Materiality principle: This is the principle by which companies must provide material information concerning the assets, financial situation and results; and discard information that is not material

METHODOLOGY

Although observation remains a widely used technique in the field of management. However, compared to statistical survey methods, it raises many reservations about its capacity to produce scientific knowledge (Kiess & Green, 2019). In our case, we have chosen observation as a method of data collection. It should be remembered that data collection and analysis techniques must be thought out according to the research objective, and that to collect qualitative data by survey, two main methods are available to us: the interview and projective techniques (De Villiers & al., 2019). In this research, we opted for the interview, which is the most widely used method in management sciences.

Two reasons led us to choose the individual interview over the group interview: first, individual interviews are better suited to the exploration of our research topic and second, group interviews do not allow for in-depth exploration of the results obtained, because of the often disorganized exchanges that depend on the way in which the participants respond to the comments of others.

The choice of the type of individual interview among the three existing ones: directive, semi-directive and non-directive; depends on the objectives pursued. In this approach, two reasons led us to opt for the semi-directive interview. Firstly, because through this approach we want to know if compliance with accounting principles is sufficient to achieve the objective of a true and fair view. Thus, we have constructed an interview framework that can facilitate any subsequent analysis. Secondly, because the semi-structured interview is the most widely used in management science. It is positioned halfway between the directive and the non-directive interview, and is therefore more flexible.

We gave respondents total freedom to better understand their logic. This is the strong point of this type of interview. This strategy favors comparative analysis.

We conducted 16 interviews to gather different points of view on the contribution of accounting principles and rules to the true and fair view. This allowed us to gain more insight into the subject in question.

RESULTS AND DISCUSSION

Both the results of the semi-directive interviews and the cross-checking of the Tunisian accounting framework have shown that the systematic expression of accounting facts in financial flows, makes the quality of its management, which represents a very important factor in the life of the company, escape from the accounting system; especially since the objective assigned to the standardized accounting system of giving a true and fair view of the company's financial situation through the summary statements, could not be achieved without taking into account the value of its personnel and its manager.

In any case, our results have shown that both the managers of the companies and the financial backers generally adopt selfish strategies. Each party seeks to maximize its own utility functions. The delegation of power by owners to managers creates tensions between the two parties. These conflicts are inevitable even in companies where the managers are also shareholders. They can arise when the shareholder-managers seek to reinvest profits while the other shareholders are more interested in the distribution of dividends.

In this sense, Hickman (2020), Bergh & al. (2019) and Schiemann & Sakhel (2019) argue that there are information asymmetries between the different partners of the firm, whether they are owners or managers. In all cases, we see imperfections arise for which the stakeholders cannot adopt similar behavior, when information is imperfect. For Jensen and Meckling (1976): *"The presence of asymmetric information between the owners of a firm and its own managers affects the financial structure of a firm. The divergence of interests between the partners of the firm has a direct impact on the cost of financing sources"* (Xu, 2023).

In fact, the risks that the company incurs, as well as its real value, are known only by the managers and not by the owners themselves. Thus, when managers do not hold any share in the firm's capital stock, they cannot appropriate all the benefits associated with their efforts. Thus, they may have an incentive to devote less time to their work, and thus see the firm's resources diminish.

Indeed, when managers have privileged information about the company's situation and performance, they can use it for personal purposes. They may choose to invest in projects that correspond to their personal objectives, and not those of the company and its shareholders. They would prefer to develop projects of great opulence, highlighting their management skills, rather than devote themselves to productive activities for the firm.

These managers are sometimes encouraged to invest in risky projects, and even in negative net present value, part of the wealth that should be distributed in the form of dividends to increase the profits and wealth of the shareholders stipulated. In this sense, Ketokivi & Mahoney (2020) consider that could lead to the firm; which would be very costly for the managers, because it will make them lose their powers and their reputations. This, could force managers to perform better and increase the profitability of the firm with less possible drawdowns, which is in the interest of the shareholders.

However, the absence of information for shareholders can influence their perception of the risk incurred and therefore the key factors of their company's success, especially since they seek first and foremost to maximize their wealth (Jabbour & al. 2020). The distribution of profits encourages them to have a riskier attitude than that of creditors who suffer crucial losses if things end badly. These shareholders, in order to avoid that the bulk of the money goes to the creditors in case of immediate dissolution of the company, may favor keeping the company alive, while they know full well that dissolving it would be much more beneficial.

This somewhat selfish behavior refers to the agency theory developed by M.C. Jensen and W.H. Meckling (1976) (Hendrastuti & Harahap, 2023). These authors explained the behavior of decision-makers and integrated the conflicts of interest between the different partners of the firm into the financial reasoning. Thus, the firm seems to form a framework of contractual relations known as agency, which are characterized by conflicting relationships between the different stakeholders. In all cases, this incompatibility of objectives between managers and shareholders leads to costs that Jensen and Meckling (1976) call agency costs, which we can group into three categories: monitoring costs, residual costs and justification costs (Bernhold & Wiesweg, 2021).

Let us retain that the conflict of interests between the managers and the shareholders involves, de facto, tensions and conflicts which can reduce the total value of the company, when this one, enters a phase of financial embarrassment.

Moreover, the results that we have obtained are perfectly in line with the theory of signals. This theory gives a theoretical reference that can explain the importance of the quality of the management in the objective of the faithful image that can provide the documents of synthesis of the company.

This theory assumes that managers and shareholders who have privileged information about the quality of the firm have an interest in transmitting this information to external agents, in order to make the firm more attractive, using a financial variable as a means of signalling.

For Leland and Pyle (1977), when the manager participates in the company's capital, this is a better way to reveal this information. Thus, for the authors: "*the degree of involvement of the manager himself in the financing of investment projects and his participation in the company's capital is a good signal for the rest of the market*" (Slimani & Ziky, 2021).

When the outlook is favorable, managers let creditors know by the amount of capital invested in their projects. If not, they stop investing. Thus, creditors must be convinced that the projects envisaged by these managers are profitable or they will not commit their funds. This corroborates the idea that the value of the firm increases with the proportion of the participation held by the manager in the firm's capital; and shows that there is a significant relationship between the value of the firm and the proportion of the participation held by the manager in the firm's capital (Din & al., 2021; Gross-Gołacka & al., 2020; Zhou & al., 2019).

The third result revealed by our investigation shows that the more experienced the manager is, the greater his aversion to risk and the less he will increase the level of risk of the firm he manages.

Indeed, leaders with significant professional experience are often more comfortable in management, and take fewer financial risks. Their experiences determine largely their value systems and reassure the various stakeholders.

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For Volberda & al. (2021), cognitive characteristics determine largely the value system of a manager and add that his or her training constitutes a real benefit for the company.

Every manager, without becoming a financier, has to design a business plan, arbitrate investments, acquire a company, and master the financial impact of his decisions. These are all operations that require financial management and are an essential prerequisite. Thus, the presence of experienced managers within the company would favor the adoption of one investment choice over another (Aren & Hamamci, 2020).

Moreover, when a financing operation is carried out by equity capital, we are faced with two different management cultures that are placed side by side within the target company. The first is paternalistic, in which the manager is the animator of the company and the working conditions are strongly conditioned by his personality, who is in charge of giving instructions and specifying the rules to follow (Selvarajah & al., 2020).

The second concerns the manager who has a status linked to his competence. He is appointed because he has a know-how that the owners do not have. He receives a salary and can be replaced when the owners are dissatisfied (Alvarenga & al., 2020).

In this second situation, the managers and the owners of the capital are all selfish, each party seeks to maximize its own interests in its own utility function; as a result, conflicts are inevitable in these companies, even if the managers are also the main owners. Disagreement can thus arise between the owner-managers who are mobilized by the reinvestment of profits and the other owners who are more interested in the distribution of dividends. This difference in objectives between managers and owners necessarily leads to agency costs.

CONCLUSION

In conclusion, we have been given to note, through this approach, that the true and fair view is an objective assigned to accounting through the summary statements that must reflect a true and fair view of the company's assets and financial situation. It is therefore not an accounting principle. Thus, the financial statements: "must include as much information as is necessary to give a true and fair view of the assets and liabilities as well as the financial position and results of the company". Thus, additional information must be provided if the application of the accounting principles is not sufficient to allow the summary documents to reflect a true and fair view.

It does not remain less than the debate on the issue of the true and fair view; especially since through the rules and accounting principles, this issue lifts the veil on the sincerity of tax returns and thus, it does not consider the accounting as a true information system. Henceforth, Tunisian companies must forget the time when the expression of its facts is only concretized by financial flows to deliver a faithful image to the stakeholders. However, this cannot be a one-time problem and should be a

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system that changes according to the changes that occur and that in any case, take into account the value of human capital, which is the real determinant of the true picture.

We can thus conclude that accounting documents, all summary documents, cannot achieve the objective of a true and fair view if they do not take into account the value of the company's personnel and the quality of its management. However, we must remember that during this process, the reluctance of the companies' managers was a major limitation for us. We can explain this refusal by:

1) The managers of the companies we targeted are afraid that these discussions will reveal some aspects of their companies' accounting, and that their statements will be exploited later.
2) The managers we tried to interview are generally unavailable or very busy in order to devote enough time to our interviews. Moreover, we had to follow up on their phone calls on several occasions and even call in stimulating support.
3) A large number of managers have a low conviction that these types of interviews could have any added value.

Thus, all these limitations could bias the course of our research, making it somewhat equivocal, without however calling into question this research work. In addition, we must remember, as Sandberg & Alvesson (2021), Bell & Willmott (2020) and Danermark (2019), that the specificity of the management sciences comes from the fact that this theoretical knowledge also has vocation to be propositional, just like all scientific knowledge, Thus, the objective of this research is not only theoretical; since this approach has certainly vocation to enrich a theoretical corpus, but will also be according to the particularities of Tunisia. Thus, we have interacted with a number of actors concerned to circumscribe the "true and fair view" and to confront it with the Tunisian reality.

We wish through this approach, to strengthen the accounting framework in Tunisia, and a little, to modify it, with regard to the globalization of trade that makes national accounting, common currency. In addition, it is necessary that the summary statements established by the Tunisian accounting can effectively reflect the true image and show the evolution of the company. The accounting must be aligned with international standards, and be based on the concept of fair value by integrating the human capital, to be able to meet the objective of the true and fair view.

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