Application of the OHADA Accounting System by Companies in DRC, Current Status and Prospects: Case of the City of Bukavu

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Abstract
The objective of this research was to determine the current status of the application of the OHADA accounting system in DRC, five years after its adoption. A survey was conducted on thirty small and medium-sized enterprises in Bukavu to determine the level of compliance with the SYSCOHADA principles, the degree of harmonization of accounting practices and the difficulties related to the application of this system.

The results shown consistently that compliance with Syscohada principles is not absolute, the level of Harmonization is still low and finally companies in DRC still need time to fit into the OHADA accounting system.

Introduction

Science, technology and art all evolve; accounting as a science has not escaped to this dynamic.

Due to the fact that economic development can only be achieved in a secure legal environment: some political leaders from seventeen African states; including the Democratic Republic of Congo; have accepted the idea of standardization and globalization of legislation that African lawyers and economic actors have always wanted to promote.

Thus, the OHADA "Organization for Harmonization in Africa of Business Law" was created, and the OHADA Uniform Act on Accounting, which was adopted after SYSCOA, entered into force on January 1st, 2001. The aim is to harmonize accounting rules applicable in OHADA member countries.

The globalization of the economy requires the harmonization of rights and practices of law. OHADA is "both a factor of economic development and the engine of regional integration. (Mouloul A. 1999).

The DRC, an underdeveloped country recently joined OHADA, which made the OHADA legislation applicable in the DRC in September 2012. DRC companies have benefited from a two-year transition period to make their constitutive documents in accordance with the Uniform Act on the Law of Commercial Companies and the Economic Interest Grouping of OHADA.

The OHADA accounting system is a unified and harmonized system of business law in several African countries and has relied on international standards that can improve the understanding of financial statements by international and regional investors. This system has achieved the great feature of being designed according to African realities, where micro-enterprises are found in most countries, which are often ignored by western accounting systems. (Rachel B., 2011)

Given the above, three questions deserve to be formulated around this research: Given the adhesion of the DRC to the treaty of OHADA in 2012:

- Are the accounting principles of SYSCOHADA respected by companies in the DRC and Bukavu in particular?

-What are the difficulties related to their implementation?

-What is the level of harmonization of accounting according to SYSCOHADA in Bukavu companies?

1. Review of Literature and Development of Hypotheses

1.1. Accounting

The American Accounting Association defines accounting as an identification system; measuring and communicating information of an economic nature in order to inform the judgments and decisions of the users of this information.

The company is the transit point for many economic flows that must be remembered as they are the essential basis of information. Accounting therefore has the primary mission of being the written memory of the information to be kept (Rachel B, 2013).

1.2. Standardization of accounting

André-Brunet, Chairman of the French Accounting Standards Commission, defines standardization as the set of at least complex rules applied either on a voluntary basis or under legal or contractual provisions by a group of companies falling within not of the same profession (Rachel B, 2013).

Pierre LAUZEL (2014) considers accounting standardization as the coordinated set of research, proposals and actions that aim to improve the accounting doctrine and the meaning of documents.

1.3. The birth of the OHADA accounting system

Historically, several accounting systems have been used in the OHADA area. Firstly, there was the French Chart of Accounts for 1947 and 1957. Subsequently, the 1970 chart of accounts was adopted, replacing the French chart of accounts of 1957. Then there was the general accounting plan of the OHADA first version which was adopted in Dakar in 1995, but never implemented. Finally, comes the general accounting plan of the companies of the West African accounting system (SYSTOA).

On one hand, the current OCAM Chart of Accounts had many shortcomings that needed to be taken into consideration. And on the other hand, the awareness was on the macroeconomic level, the monetary and financial authorities (BCAO, WAMU) were concerned about the management instruments of companies. For that purpose, they define new monetary management instruments whose implementation required, among other things, the creation of a central balance sheet. This plant builds and manages a database of

descriptive, financial and accounting data and publishes after treatment, information for multiform analyzes.

These concerns will ultimately lead to the adoption of accounting law such as that of SYSCOA which was adopted in 1996 and entered into force in 1998.

Thus, since things are evolving and since the purpose of the OHADA is the unification of business law of which the accounting law is an important part, the OHADA system was born on March 24, 2000 in Yaoundé (Cameroon). The OHADA Council of Ministers adopts the uniform act on the organization and harmonization of the accounts of companies located in the States parties to the Treaty of Port Louis. This treaty thus applies to all members of sixteen (16) States.

1.4 The foundations of the Ohada accounting system

According to the comments of the Uniform Act made by Souleymane SERE (2000), the fundamental characteristics of the OHADA accounting system can be summarized as follows:

- The analysis of expenses and products by nature;

- The modeling of the financial statements; this modeling specifies the rules for valuation, presentation and the format of the financial statements to which companies are required to comply.

- Adoption of a standardized chart of accounts;

- The separation of financial accounting from management accounting (optional and preserves business secrecy).

According to NZAKOU (2001), the OHADA accounting system is based on two concepts: basic accounting principles and valuation methods.

1.4.1. The fundamental accounting principles and the faithful image

The OHADA accounting system sets out eight generally accepted accounting principles to avoid divergent interpretations. However, it must be noted that the true and fair view is not another principle, but rather it is the ultimate goal of all principles. The accountant is from this point of view invited to derogate from any principle if such a derogation proves indispensable for obtaining a the true and fair view.

These principles are implicitly stated and developed in the current accounting system.

Those are:

- **The principle of prudence**: to avoid the transfer of the current risks to the future, the OHADA accounting system decides to affirm this principle with great insistence, and this for a reasonable appreciation of the events and operations to be recorded;

- **The principle of transparency**: the implementation of which allows the company to give a clear and fair presentation of the information. This principle has several other names: regularity, sincerity ......;

- **The principle of significant importance**, also known as the principle of relative importance. "The financial statements should disclose all transactions the significance of which may affect valuations and decisions" (IASC Standard No. 1);

- **The principle of the intangibility** of the exercise balance sheet: The opening balance sheet must correspond to the closing balance sheet of the previous financial year.

- **The principle of historical cost**: respect of the nominal value of the currency without taking into account variations in its purchasing power. The principle assumes that money is a stable unit of measurement;

- **The principle of going concern**: the financial statements must be constructed and read as if the business were to continue operating;

- **The principle of the permanence of the methods**: the methods of evaluation and presentation of the financial statements must be identical from one year to the next;

- **The principle of the specialization of the exercises** attach to each exercise the products and the charges which concern him only.

In addition, the OHADA accounting system has developed the most usual applications of the principle of the pre-eminence of reality over appearance without adopting it.

All these principles have the ultimate goal, obtaining a faithful image of the patrimonial situation, the financial situation and their variation.

The accounting principles mentioned above are intended to provide an understanding of the objective assigned to the financial statements. This is to give the company's assets, financial position and results a "true and fair view", a presentation "not misleading, loyal and clear".

1.4.2 Methods of evaluation and result determination

Financial accounting has two main objectives: to list the assets and debts of the enterprise and to finally evaluate them to determine the net assets or capital; determine the result that the company has achieved as a result of its activities.

The evaluation rules:

Different methods of evaluation are likely to be applied among others:

- **Historical cost**: cost of acquisition or production; the market value at the closing date of the accounts when this is lower than the acquisition or production cost (by respect or principle of prudence);

- **The indexed historical cost**: value at the date of the inventory which is constituted by the market value for the company (business continuity case) and by the net asset value (case of cessation of activities).

For the balance sheet, the value retained by the OHADA accounting system is the cost

- The determination of the results

Article 31 of the Uniform Act on Accounting Law stipulates that: "the profit and loss account for the financial year shall disclose revenues and exchanges, distinguished according to whether they relate to operating activities related to ordinary activities, financial transactions, operations excluding ordinary activities. The classification of revenues and expenses makes it possible to establish management balances under the conditions defined by the OHADA accounting system. "

From the above, the following hypotheses can be formulated in relation to our research questions:

Hypothesis 1: The principles of the OHADA accounting system would be respected by the companies in terms of accounting,

Hypothesis 2: Given the level of popularization of Syschoda in the DRC in general and Bukavu in particular, there are no significant differences in the accounting measures used by Bukavu companies.

Hypothesis 3: In the application of the Ohada accounting system, there would be difficulties that may arise in companies related to maladjustment;

2. Methodological approach

2.1 Presentation of the sample

Given the time and financial means, we chose a sample of 30 small and medium enterprises operating in the city of Bukavu to which we distributed the survey questionnaires.

2.2 Data processing technique

As part of this study, we chose the Herfindal Index to measure the level of accounting harmonization in Bukavu. Referring to Salim M. (2012), we selected 11 items related to the choice of accounting methods.

H Herfindahl index is an index that measures, within the same country, the degree of harmonization addressing to the accounting treatment of an item. This method is calculated by weighting the frequencies of the existing methods against each other, this means that a more used method obtains a greater weight than the others.

It can be calculated according to the following formula:

$$H = \sum_{i=1}^{N} (Pi)^2$$

- H = Hirchman-Herfindahl Index;
- N = Number of possible methods;
- Pi = Frequency of use of the method i.

The index increases when firms focus on a particular method or a limited number of methods, which translates a growth into the degree of consensus that can vary from 0 (no harmony since there is an infinite number of alternative methods with the same frequency) and 1 (all companies use the same method, which means the presence of total harmony).

3. Presentation of the Results and Discussion

In this point, we present the results of the investigation carried out in our field of investigation "city of Bukavu".

These results are analyzed and presented in tabular form followed by brief comments.

3.1 Presentation of the companies surveyed

Table 1 Quantitative characteristics of enterprises:

	N	Minimum	Maximum	Mean	Standard deviation	Coefficient of variation
Seniority (age)	**30**	1	52	17.433	10,631	60.979%
Number of staff	30	4	80	27.933	21.226	75.988%
Year of adoption	30	1	5	3	0.994	32.09%
N valide (listwise)	30					

Source: our analyzes with SPSS 21.0

Among the companies surveyed, the oldest is 52 years old and the youngest 1 year old. The average seniority is 17 years with a standard deviation of 10 years. The dispersion is 60.97%.

The minimum number of companies surveyed is 4 agents and the maximum is 80 agents per company. We find that on average the workforce is 34 agents per company with a dispersion of 75.9%. This is because we chose small and medium sized enterprises.

With regard to the year of the beginning of the application of the OHADA accounting system, they apply this system on average for 3 years with a dispersion of 32.09% this low dispersion would be due to an increased awareness from 2012.

Table 2: Qualitative characteristics of enterprises

	Frequency	Percentage	Valid Percentage	Cumulative Percentage
Share capital				
Below 15000$	5	16,7	16,7	16,7
Between 15001 and 30000$	5	16,7	16,7	33,3
Between 30001 and 50000$	1	3,3	3,3	36,7
Between 50001 and 100000$	6	20,0	20,0	56,7
More than 100000$	13	43,3	43,3	100,0
Total	30	100,0	100,0	
Legal status of enterprises				
Individual Company	17	56,7	56,7	56,7
Corporation	9	30	30	160
Other	4	13,3	13,3	100,0
Total	30	100,0	100,0	

Source: our analyzes with SPSS 21.0

In this table, it is clear that among the companies surveyed, those with a capital of more than $ 100,000 are plentiful. Capital share between $ 3,000 and $ 50,000 representing 3.3%. The largest individual company is 56.7%, followed by corporation that is 30%.

3.2 Results relating to the application of the principles of SYSCOHADA

We have objectively verified the application of 7 principles on the 9 principles of SYSCOHADA. The other two principles (the principle of significant importance and the principle of the preeminence of reality over appearance) have not been addressed due to difficulties of measure. Below are the results of our analyzes.

Table 3: Application of the SYSCOHADA Principles

	Frequency	*Percentage*	*Valid Percentage*	*Cumulative Percentage*
Recognition of capital losses as expenses				
Yes	18	60,0	60,0	60,0
No	12	40,0	40,0	100,0
Total	30	100,0	100,0	
Recognition of capital gains as expenses				
Yes	23	76,7	76,7	76,7
No	7	23,3	23,3	100,0
	30	100,0	100,0	
Change in accounting methods				
Yes	19	63,3	63,3	63,3
No	11	36,7	36,7	100,0
Total	30	100,0	100,0	
Closing balance sheet				
Yes	15	50,0	50,0	50,0
No	15	50,0	50,0	100,0
Total	30	100,0	100,0	
Operation of charges or products of year N spent in year N + 1				
Yes	12	40,0	40,0	40,0
No	18	60,0	60,0	100,0
Total	30	100,0	100,0	
Change of share capital				
Yes	13	43,3	43,3	43,3
No	17	56,7	56,7	100,0
Total	30	100,0	100,0	
Registration Acquisition of assets				
Purchase cost	21	70,0	70,0	70,0
Market cost	6	20,0	20,0	90,0
Other	3	10,0	10,0	100,0
Total	30	100.0	100.0	

Financial statements and other established documents				
The balance sheet	26	86 ,7	86 ,7	
The income statement	15	50	50	
Ledger	8	26,7	26,7	
Trial balance	9	30	30	
statement of source and expenditure	9	30	30	
The annexed statement, notes, management report	8	26,7	26,7	

Source: our analyzes with SPSS 21.0

The results in the table above, allow us to make an assessment on the respect of the principles of the OHADA Accounting System, Thus:

According to the principle of prudence, account must be taken of risks and even probable losses and only take into account the profits made at the end of the financial year. (Marcel D., 2013)

Our results show that this principle is respected by most companies respectively at 60% and 76.7%.

According to the principle of the permanence of the methods, the comparison and the coherence of the financial statements during the successive periods imply permanence in the application of the rules and procedures (methods of evaluation). (Marcel D. 2013).

Our results show that most companies do not respect this principle and change the accounting methods (depreciation, disposal in stock,...) respectively 63.3%.

According to the going concern principle, the closing balance sheet in year N must be equal to the opening balance sheet N + 1. (Marcel D., 2013). This principle is respected by only 50% of companies.

According to the principle of independence of financial years, or specialization of financial years, it is necessary to break down the continuous life of the company into periods or accounting periods, hence the principle of relating to each financial year the expenses and the income concern him. (Marcel D., 2013).

Our results show that most companies do not respect this principle that is 60%.

According to the principle of intangibility of the balance sheet, the opening balance sheet of a financial year must correspond to the closing balance sheet of the previous financial year. (Marcel D., 2013). Our results show that most companies respect this principle, that is 56.7%.

According to the principle of historical cost refers to the principle of fair value (Marcel D., 2013)

The results show that most companies comply with this principle: the cost of acquiring the assets is recorded at the cost of purchase by 70% of the companies, 20% at the cost of the market.

The principle of good information, (transparency), highlights the importance of presenting and communicating financial information (notes, annexes, management reports, etc.) to users of financial statements.

Our results show that only 26.7% of our respondents establish either the attached statement, the notes or the management report.

Our results show that 3 principles (permanence of the methods, independence of the financial years, and good information) on the 7 studied are not respected, from which we deduce a relative respect of the principles of the Syscohada by the companies.

3.3 The results concerning accounting harmonization

3.4.1 Frequency Presentation for Selected Items

Table 5: Items selected for the measurement of accounting harmonization

	Frequency	*Percentage*
1. Form of balance sheet		
List presentation	9	30,0
Presentation in table	17	56,7
Other	4	13,3
Total	30	100,0
2. Form of the income statement		
Presentation in list	11	36,7
Presentation in table	19	63,3
Total	30	100,0
3. Registration of accounting expenses		
By function	5	16,7
By function, and by nature	1	3,3
By nature	18	60,0

Without details	6	20,0
Total	30	100,0
4. Financing table template		
Focused on cash flow	15	50,0
Focused on cash flow and funds	2	6,7
Focused on the flow of funds	6	20,0
Without information	7	23,3
Total	30	100,0
5. Classification of debts		
Classification by maturity	26	86,7
Classification by nature	4	13,3
Total	30	100,0
6. Asset valuation method		
Historical cost plus replacement cost	13	43,3
Replacement cost or (current value)	9	30,0
Without specifying method	8	26,7
Total	30	100,0
7. Depreciation method		
Linear method	5	16,7
Linear method, degressive method, and progressive method	1	3,3
Degressive method, and progressive method	16	53,3
Overall method	4	13,3
Other	4	13,3
Total	30	100,0
8. Inventory valuation method		
Weighted average cost	11	36,7
Weighted average cost and FIFO	1	3,3
FIFO	9	30,0
FIFO and LIFO	5	16,7
LIFO	1	3,3
Other	3	10,0
Total	30	100,0
9. Research and development expenses		
Enter the R & D expenditure as an asset	7	23,3
Enter the R & D expenditure in charge	18	60,0
Without information	5	16,7
Total	30	100,0
10. Cost of goods purchase		
In the respective account of the charges	10	33,3
recorded in the purchase cost of the goods to increase their input value	18	60,0
Without information	2	6,7
Total	30	100,0

Source: our analyzes with SPSS 21.0

3.4.2 Measuring the degree of accounting harmonization: the Herfindahl index approach

Table 17: Calculation of the Herfindal Index

	Frequency A	Frequency B	Frequency C	Frequency D	Frequency E	Frequency F	Frequency G	Frequency H	Herfindahl Index
Financial Statements	43,30%	3,30%	6,70%	20,00%	13,30%	6,70%	3,30%	3,30%	0,257423
Form of balance sheet	30,00%	56 ,70%	13,30%						0,429178
Form of income statement	36,70%	63,30							0,535378
expenses classification	16,70%	3,30%	60,00%	20,00%					0,428978
Model of the financing table	50,00%	6,70%	20,00%	23,30%					0,348778
Debt classification	86,70%	13,30%							0,769378
Asset valuation method	43,30%	30,00%	26,70%						0,348778
Depreciation method	16,70%	3,30%	53,30%	13,30%	13,30%				0,348445
Stock valuation method	36,70%	3,00%	30,00%	16,70%	3,30%	10,00%			0,264756
R & D expenditure	23,30%	60,00%	16,70%						0,442178
Expenses of goods purchase	33,00%	60,00%	6 ,70%						0,475378
Recording of capital losses	60,00%	40,00%							0,52
Recording of capital gains	76,70%	23,30%							0,642578
Change in accounting methods	67,30%	36,70%							0,535378
Closing balance sheet	50,00%	50,00%							0,5
expenses transaction	40,00%	60,00%							0,52
Change of capital	43,30%	56,70%							0,508978
Acquisition of assets	70,00%	20,20%	10,00%						0,54
Average harmonization index									0,442925368
Source: our calculations in Excel 2013 The average index of harmonization found in the table above is 0, 442925368, which reflects a degree of average consensus and means that there is a harmony of methods and principles of SYSCOHADA in a weak way because being in below half of the total harmony that is 1.									

3.5 Difficulties related to the application of the OHADA accounting system

According to the results of our surveys, the results show that the difficulties related to the application of SYSCOHADA in the city of Bukavu are as follows:

- Lack of accounting software adapted to the Ohada accounting system: companies are faced with a lot of work to do, the lack of accounting software according to SYSCOHADA standards is problematic.

- Companies claim that in SYSCOHADA, there are several financial statements to establish

- Need of retraining: there is a lack of training of accounting staff, most companies do not have well-trained agents for the application of the Ohada accounting system since they have studied the Congolese accounting system already abandoned, and this causes a problem when recording certain operations. Hence there is a need to retrain agents for a proper application of this accounting system.

- Users show that this system is maladjusted to certain realities of the DRC

- Business leaders do not easily understand the financial statements of SYSCOHADA from which their training would also be relevant.

Conclusion

At the end of this work, the following key points deserve special attention:

To test the hypotheses of this work, we used the survey questionnaire method and the Herfindahl harmonization index.

After investigation, data collection and analysis, we got the following results:

The respect of the principles of the Sysohada is relative, hence the first hypothesis is nuanced.

The average index of harmonization found in table 17 is 0, 442925368, which reflects a medium degree of consensus and means that there is a harmony of methods and principles of SYSCOHADA in a weak way because below half of the total harmony that is 1, hence the second hypothesis is rejected.

Companies in Bukavu city are still finding some problems to apply the OHADA accounting system; hence the third hypothesis is accepted.

The financial authorities of the DRC and business leaders must therefore invest even more in the application of the Ohada Accounting System as defined by the Uniform Act, but also in the harmonization of accounting practices throughout the country.

This should result in the organization of retraining courses, the acquisition of the appropriate accounting software and the monitoring by the competent authorities.

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