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Comparison of IAS/IFRS and OHADA standards in terms of taking inflation into account in financial accounting

Comparaison de normes IAS/IFRS et celles de OHADA en matière de prise en compte de l'inflation en comptabilité financière

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Abstract

Financial accounting is one of the indispensable management tools in an organization, its objective is to present financial statements that reflect a true and fair view of the assets, financial position and results of the entity. In times of high inflation, however, money loses its purchasing power at such a rate that comparing amounts resulting from transactions and other events that occurred at different times, even during the same accounting period, can be misleading. This can cause the figures in the financial statements to be misleading. It is therefore essential to adjust these figures to the actual economic conditions in order to preserve a true and fair view of the company's assets, financial position and results. International financial standards such as those of OHADA analyze this problem of inflation in accounting through different methods of restatement of the figures of the financial statements to make them faithful and consistent with the economic reality.

In this work, we will identify the points of divergence as well as the points of convergence between OHADA and IAS/IFRS accounting standards in terms of inflation accounting.

Key words: Standardization, IAS/IFRS, OHADA, Inflation, Accounting.

Résumé

La comptabilité financière est l'un des outils de gestion indispensables dans une organisation, son objectif est de présenter des comptes annuels (états financiers) reflétant l'image fidèle du patrimoine, de la situation financière ainsi que des résultats de l'entité. Or en période d'une forte inflation, la monnaie perd son pouvoir d'achat à un tel rythme que la comparaison de montants résultant de transactions et d'autres événements intervenus à des moments différents, même durant la même période comptable, peut s'avérer trompeuse. Ce qui peut éloigner les chiffres inscrit dans la les états financiers de la réalité économique. Il s'avères donc indispensable d'ajuster ces chiffres aux conditions économiques réelles du moment pour préserver en comptabilité l'image fidèle du patrimoine, de la situation financière et des résultats de l'entité. Les normes financières internationales comme celles de OHADA analysent cette problématique de l'inflation en comptabilité à travers différentes méthodes de retraitement des chiffres des états financiers pour les rendre fidèle et conforme à la réalité économique.

Dans ce travail, il est question de déceler les points de divergence ainsi que les points de convergence entre les OHADA et les normes IAS/IFRS comptables en matière de comptabilité de l'inflation.

Mots clés : Normalisation, IAS/IFRS, OHADA, Inflation, Comptabilité

INTRODUCTION

In the field of management, accounting has become "the most reliable source of economic and financial information" (Obert, 2006). It also constitutes a language of communication, of transmission of financial information to the firm's internal and external partners.

Accounting has a fundamental two-faceted mission: "on the one hand, it is to inform the manager's decision, and on the other hand, it is to serve as an instrument of communication between the company and its internal and external partners" (Katuka, 2017). According to Obert, "for this mission to be fulfilled successfully, it is essential that the accounting language be understood by all participants, that accounting be one word, standardized" (Obert, 2006).

However, "the way of perceiving the economic and financial environment differs from one country to another. The tools for recording activities and transactions allow financial statements to be prepared differently from one country to another" (Obert, 2006). This is why the interpretation of annual financial statements "at the level of analysis and diagnosis" (Obert, 2006) can lead to differences in understanding. OBERT goes on to point out that “this diversity of procedures has made the financial statements of countries difficult to compare “(Obert, 2006).

This led to the establishment on June 29, 1973 in London of a charter for the creation of an international organization, the International Accounting Standards Committee (IASC), whose main goal was "to establish basic accounting standards called IAS (International Accounting Standards) and since 2002, IFRS (International Financial Reporting Standards), which would be accepted worldwide" (Obert, 2006).

Hoarau and Walton quoted by Katuka state: "the theme of harmonization has occupied a considerable place in financial accounting re-elections in the early years" (Katuka, 2017). Standardization is an issue that has been pressing across the globe in general and in the African continent in particular, especially in the area of finance.

The countries of Francophone Africa, for their part, adopted a treaty in 1993 instituting a "harmonized" accounting framework. This came into force in most of the signatory countries towards the end of the 1990s. This reverential adopted in this country of black Africa was baptized "the accounting system OHADA).

VagheniI emphasizes that the transition of some African countries to OHADA is revolutionizing the accounting profession which is moving from an accounting very marked by the influence of tax provisions to an accounting closer to international standards (IAS/IFRS) (Vagheni, 2016). And to do so help internal decision making.

Indeed, the main objective of accounting is to present annual accounts (financial statements) reflecting a true and fair view of the assets, financial position and results of the entity (Disle & Noël-Lemaître, 2007). However, the generalized and persistent rise in prices makes the figures related to current transactions far more distant from the economic reality or simply from the fear view of the company. This persistent rise contributes to the hollowing out of a company through an overvaluation of profits, taxes, dividends and a shortfall in depreciation.

Moreover, in times of high inflation, "money loses its purchasing power at such a rate that comparing amounts resulting from transactions and other events that occurred at different times, even during the same accounting period, is misleading" (Vagheni, 2016).

It is therefore essential to adjust these financials to the actual economic conditions of the moment in order to preserve a true and fair view of the entity's assets, financial position and results in the accounts.

In fact, the financial statements or accounts of the company are based on past events or the company's previous transactions. Investors use this information to predict the company's performance. By the way, the financial diagnosis is "based on the accounting held within the company" (Harad, 2022). Therefore, accounting should provide financial statements that contain financial information that is highly useful for decision making.

According to the IASB's new conceptual framework, "the objective of general-purpose financial reporting is to provide information about the reporting entity that is useful to equity investors, lenders and other creditors and potential creditors in their decision making as the entity's decision maker" (Obert, Mairesse, & Desenfans, 2021).

The OHADA framework mentions that the objective of financial statements is normally to "provide information on the assets, financial position (balance sheet), performance (income statement) and changes in cash position (cash flow statement) of an entity in order to meet the needs of various users of this information" (OHADA, 2017). They should ensure transparency of the entity for decision making. This provision of useful financial information is characterized by relevance and fair presentation.

In a period of inflation, i.e. a situation characterized by generalized price increases, the principle of historical cost, which requires that goods be recorded in the account at their acquisition value and that they retain the same value throughout the period of their existence in the company, is not able to guarantee the true and fair view sought.

Arnold, Boyle, Carey, Cooper and Wild quoted by Byrne stated "Financial statements must now respond to the more general need to communicate current and future economic decisions faithfully, which is not the purpose for which the historical cost model was designed, and it is an objective that is unlikely to be achieved in this case" (Berny, 1997).

In recent years, the inclusion of inflation in financial statements has been a concern for many countries, particularly developing countries whose economies are often characterized by inflation. Inflation is an important phenomenon of the contemporary economy; it is even its essential characteristic. It is a complex phenomenon whose causes are always difficult to understand.

The IASB therefore introduced IAS 29 "Financial Reporting in Hyperinflationary Economies" (Dick & Missonier-Pier, 2020), to take into account the effects of hyperinflation in accounting. According to this standard, characteristics of a country's economic environment that indicate the existence of hyperinflation include the fact that "the general population prefers to hold its wealth in non-monetary assets or relatively stable foreign currencies. Local currency holdings are immediately invested to maintain purchasing power. Monetary amounts are considered not in terms of local currency, but in terms of relatively stable foreign currency" (Obert, 2020). These characteristics as detailed in this standard are attributable, for the most part, to the economies of developing countries that are riddled with inflationary phenomena.

In addition to IAS 29, the IASB has also implemented IAS 15, "Disclosure of Price Changes". The latter must be applied to reflect the effects of price changes on the valuations used to determine the results and financial position of the company. It contains a number of methods for restating financial statements to make them more consistent and faithful to economic realities.

The Democratic Republic of Congo is a country plagued by inflation. The economic environment of the DRC is too characterized by the phenomenon of inflation, which evolves rapidly and unpredictably. It goes without saying that under these conditions, the usual performance indicators presented by Congolese companies without taking into account these distortions that could be introduced by inflation, no longer fully reflect the economic reality. This could have the consequence of disturbing the very management of the enterprise.

SYSCOHADA should therefore ensure that the financial statements are properly adjusted for the effects of accounting inflation.

The OHADA uniform act relating to accounting law and financial information examines the problem of taking account inflation in accounting in its articles 35, 62, 63, 64 and 65 through the process of revaluation of fixed assets. This act contains a number of restatement methods in the context of the revaluation of financial statements. The question is therefore whether these methods and provisions recommended by OHADA converge with those recommended by international financial standards?

In light of the above, the research questions underlying our study are the following:

- What are the points of divergence and convergence of IAS/IFRS and OHADA standards with regard to the taking into account of inflation in accounting?
- Do the provisions of restating financial statements for the effects of inflation recommended by OHADA converge with IAS/IFRS?

The main objective of this work is to present a comparison of the international standards IAS/IFRS and OHADA standards regarding the accounting of inflation. First, this work presents the literature review on inflation accounting, then the methodological approach and finally the results.

1. LITERATURE REVIEW ON INFLATION ACCOUNTING

1.1. What is inflation accounting?

Inflation accounting consists of considering for upward price changes in the financial statements in order to make the figures in the accounting accounts reflect economic reality. It is a type of "accounting that aims to account for the effects of inflation by indexing the annual accounts to the general price level" (Richard & Collette, 2008).

The literature on inflation accounting presents several approaches to accounting for inflation:

- One is to express financial information in terms of general purchasing power
- Another is to replace historical cost with current cost, which accounts for changes in specific asset prices.
- A third is to combine the characteristics of these two above methods.

1.2. Disadvantages of traditional accounting based on the historical cost principle.

The disadvantages of this traditional accounting based on the historical cost principle are, among others:

- An undervaluation of fixed assets and therefore an undervaluation of the company's equity.
- An overvaluation of the profitability of equity.
- An insufficiency of the depreciation allowance and therefore the equipment cannot be renewed

1.3. Corrective procedures to consider

The classic corrective procedures used to eliminate the disadvantages just described include, "on the one hand, the revaluation of the balance sheet and, on the other hand, the constitution of provisions for the reconstitution of stocks or for increases in the price of raw materials" (Richard & Collette, 2008).

- Balance sheet revaluation: when "the value of a currency has undergone significant changes, the authorities may allow all balance sheet items to be revalued in order to express the present value of the assets concerned" (Richard & Collette, 2008).
- Provisions: during periods of inflation, "the selling price of a commodity may be lower than the subsequent re-stocking price of that commodity. The profit margin calculated from the purchase price at the later date could be absorbed by the price increase at the time of restocking" (Berny, 1997). It is therefore essential for firms to establish sales prices (and profit margins) according to the resupply price at the time of sale, on the one hand, and that they constitute provisions (or reserves) allowing them to reconstitute their stocks at the new price and in sufficient quantities to ensure the normal functioning of the activities, on the other.

In addition to these corrective procedures, there are other procedures for correcting the effects of inflation in accounting, such as "indexed accounting, which consists of indexing all the non-monetary elements of the balance sheet by the general price index" (Feudjo, 2010). One can also mention "replacement cost accounting", which consists of recording all assets in the balance sheet each year according to their replacement value at the balance sheet date. But also the famous "fair value" procedure that we will examine in a subsequent chapter.

2. METHODOLOGY

It is a rule in scientific research to have a methodology, which is a set of methods that the researcher uses to achieve his research objective.

Thus, in order to achieve our objective, we will use the following method:

- ANALYTICAL: to help us identify the divergences and convergences of the two accounting standards
- COMPARATIVE: to analyze the reconciliations and differences between the two accounting standards under review.
- DESCRIPTIVE: to help us define our research topic and describe the related facts.

Furthermore, in order to collect data concerning these two accounting standards (IFRS and OHADA) and to compare them, we will use the documentary technique. We will use this technique when consulting different documents (books, notes from courses, articles, etc.).

3. RESULTS

In this section, we present the points of divergence and convergence in terms of taking inflation into account in financial accounting according to the two accounting frameworks. We present the divergences and convergences existing at the level of the definition of concepts, then those existing at the level of the revaluation of financial statements, then those at the level of the translation of financial statements in economies qualified as hyperinflations, and finally those existing at the level of the fair value measurement of assets.

3.1. Definition of concepts

In the context of accounting for inflation, IAS/IFRS and OHADA have a range of concepts that need to be compared in order to determine whether the two standards deal with inflation accounting in the same way:

Table N°1 : Definition of concepts according to IAS/IFRS and OHADA standards

Concepts	IAS/IFRS	SYCOHADA	Commentaire
Historical cost	A principle whereby assets are recognized for the amount of cash or cash equivalent paid or for "the fair value of	A principle that consists of "recording transactions on the basis of the nominal value of the currency	There is no significant difference except that in the context of the historical cost valuation of assets exchanged, the

	the consideration given to acquire them at the time of their acquisition; liabilities are recognized for the amount of revenue received in exchange for the obligation or for the amount of cash or cash equivalent expected to be paid to settle the liability in the normal course of business" (Obert, 2020).	without taking into account any variations in its purchasing power" (OHADA, 2017). Here, assets are recognized for the amount paid or for the value of the consideration given to acquire them; liabilities are recognized for the proceeds received in exchange for the obligation or for the amount expected to be paid to extinguish those liabilities.	international standards promote fair value while SYSCOHADA does not mention it.
Fair value	According to IFRS 13 it is the price that would be received for the sale of an asset or paid for the transfer of an asset in an arm's length transaction between market participants at the measurement date.	Same definition as IFRS 13	no divergence

Monetary items	according to IAS 21 are "assets and liabilities to be received or paid in a fixed or determinable number of monetary units" (Katuka, 2017).	Same definition as IAS 21 and IAS 29	No divergences
non monetary items	are "assets and liabilities that are not to be received or paid in a received or paid in a fixed or determinable number of monetary units" **(Katuka, 2017)**.	Same definition as IAS 21 and IAS 29	No divergences
Revalued value	This is the fair value at the date of revaluation less accumulated depreciation and subsequent impairment losses	Is that obtained "by applying the index method based on the purchasing power of money or by using the current value" (Vagheni, 2016).	IFRS considers the revalued value only as the one resulting from the fair value measurement. SYSCOHADA considers the revalued value as not only emanating from the fair value valuation but also from the index method.
Curent value	According to IAS 15 it is the value that represents a current estimate of the future net cash inflows attributable to the asset, properly	It is an estimated value that is based on the market and the usefulness of the asset to the entity.	The notion of discounting future cash flows is not taken into account in the definition of the current value according to SISCOHADA. For

	discounted. It is confused with the value in use.		SISCOHADA, the current value is calculated without discounting expected future cash flows but by taking into account the acquisition price of the new asset, the useful life of the asset as well as the accumulated depreciation
Replacement cost	is normally determined from the "current acquisition cost of a similar asset, new or of a similar asset, new or used, or equivalent potential production or service capacity" (Obert, 2006).	See SYSCOHADA definition of current value	in SYSCHODA the replacement value is either the current value or the index value
Net realizable value	According to IAS 15, it represents the current selling price in the ordinary course of business less the estimated costs to complete and the estimated costs to sell.	Potential selling price	The SISCOHADA does not mention the realization value but instead it mentions the negotiation value or market value or venal value

Source: Author

3.2. Revaluation of financial statements

International financial standards such as SYSCOHADA examine the issue of revaluation of financial statements in order to restate them from the effects of inflation to bring them closer to the economic reality of the company. Some points of convergence and divergence are worth noting:

3.2.1. At the level of the scope of the revaluation

The IASB had implemented IAS 15 "Information reflecting the effects of price changes". This standard is applied to "reflect the effects of price changes on the valuations used to determine the results and financial position of the company" (Colmant, Tondeur, & Miche, 2013). Revaluation therefore concerns some or all of the financial information contained in the financial statements.

SYSCOHADA, on the other hand, restricts revaluation only "to property, plant and equipment and financial fixed assets, which are among the items qualified as non-monetary" (Gouadain & Wade, 2012). Thus, certain other financial information will not be affected by the revaluation even if they are also qualified as non-monetary (intangible assets, operating values, etc.)

3.2.2. At the level of methods

IAS 15 is full of techniques to take into account when restating financial statements for the effects of inflation. IAS 15 has opted for two revaluation methods:

- ❖ The general purchasing power indexation approach (IAS 15 paragraph 11) which consists of "revaluing some or all items in the financial statements for changes in the general price level" (Obert, 2006). Under this approach the basis for adjustments is the general price index.
- ❖ The current cost approach uses "replacement cost as the basis for valuation". Note that "if, however, the replacement cost is greater than the net realizable value and the current value, the higher of the net realizable value or the current value is usually used as the basis for valuation" (Collectif Groupe Revue Fiduciaire, 2020).

This replacement cost is obtained from the current acquisition cost of a similar asset, new or used, or of equivalent potential production capacity or services. In addition, "specific price indices are often used to determine the current cost or replacement cost of certain items as well, particularly if no recent transaction concerning these items has taken place, when price tariffs do not exist or when such tariffs are not usable in practice" (Obert, 2020).

SYCOHADA has opted for methods that combine the characteristics of these two methods (OHADA, 2017). This is the index method, which uses price indices reflecting the general price variation in the nation as the basis for revaluation. However, if the index value is higher than the current value, then the current value will be used, otherwise the index value will be used. Moreover, especially in the context of free revaluation, SYSCOHODA advocates the current cost method which is based on the calculation of the current value. According to SYSCOHADA, the current cost is the amount of cash or cash equivalent that would have to be paid if the same asset or equivalent asset were acquired now.

Finally, SYSCOAHADA stresses that "the main difference between the two methods lies in the fact that, in the index method, the revalued value is the lower of the two values (index and current) and that in the current cost method the revalued value is always the current value" (OHADA, 2017).

The revaluation methods advocated by SYSCOHADA converge with those of the IAS15 standard, except that the meaning of the current value differs in the two standards. Also in SYSCOHADA, only tangible and financial fixed assets should be revalued.

3.2.3. Accounting for the revaluation variance

THE IASB

According to IAS 16, in the context of the revaluation of fixed assets, "when an item of property, plant and equipment is revalued, the accumulated depreciation at the date of revaluation is either: Adjusted in proportion to the change in the carrying amount of the asset so that the value of the asset at the end of the revaluation is equal to the revalued amount. Or deducted from the gross book value of the asset, the net value then being restated to obtain the revalued amount of the asset" (Collectif Groupe Revue Fiduciaire;, 2021).

Obert mentions that "when the book value of an asset increases as a result of revaluation, the increase must be credited directly to equity under the heading of revaluation surplus" (Obert, 2020). On the other hand, when this book value is reduced, this reduction must be charged to the corresponding revaluation surplus, insofar as this reduction does not exceed the amount recognized in revaluation variance for the same asset. The surplus should be recorded as an expense.

THE SYSCOHADA

SYSCOHADA differentiates between accounting for free revaluation and legal revaluation. The provisions for accounting in the context of free revaluation are almost similar to those recommended by IAS 16.

In the context of legal revaluation, the SYSCOHADA, "the book value (net of depreciation) is to be multiplied by the coefficient or index of the year (corresponding to the category of goods, in the case of multiple indices)" (OHADA, 2017). This product represents the index value. To determine the revalued value, this product must be compared with the current value. The revalued value will be the lower value between the current value and the index value. It will also be necessary to multiply the coefficient by the accumulated depreciation.

In fact, SYSCOHADA mentions that initially, during the revaluation:

If it is about non-depreciable assets, "the fixed asset account (class 2) will be debited by the amount of the revaluation difference by crediting account 1061.Legal revaluation variance by an equivalent amount" (Gouadain & Wade, 2012).

In addition, if it is a question of depreciable fixed assets, it recommends that: "The fixed asset account shall be debited with the amount of the difference by crediting account 1061 revaluation variance with the amount of the revaluation variance relating to the difference between the original value after and before revaluation; By crediting the depreciation accounts (account 28) with the amount of revaluation relating to the difference between the accumulated depreciation after and before revaluation of account 1061 relating to the net book value after and before revaluation" (OHADA,2017)

However, in this same logic of legal revaluation, SYSCOHADA insists on the fact that when tax legislation imposes "the tax neutrality of the operation, account “154 special provision for revaluation” must be credited instead of account 1061 Legal Revaluation variance for the same amount" (Vagheni, 2016).

The SYSCOHSA also emphasize the fact that "at the subsequent closing, the amortization annuities and any depreciation are recognized according to the usual rule. In the case where the difference has been recorded to the credit of account 154 Special provision for revaluation, the entity must proceed, at the close of each fiscal year, to the reversal of the special revaluation provision up to the amount of the additional allocation made annually, on the revalued assets through account 861 Regulated provision written back" (Mbangala & Wanda, 2019).

3.3. Translation of financial statements during hyperinflation

Both IAS/IFRS and SYSCOHADA recognize that when financial statements are presented in a currency of an economy qualified as hyperinflationary, the revaluation of financial statements should be much more particular because in periods of hyperinflation the currency loses its purchasing power at such a rate that the comparison of amounts resulting from transactions and other events occurring at different times, even during the same accounting period, is misleading. A number of provisions have therefore been put in place, first by the IASB (IAS 29) and then by SYSCOHADA, to restate the financial statements for hyperinflation. The question is therefore to know what are the similarities and dissimilarities between the two accounting frameworks.

3.3.1. At the level of revaluable items and scope

Both IAS 29 and SYSCOHADA recommend that only items qualified as non-monetary should be restated. Nevertheless, both IAS 29 and SYSCOHADA give certain non-monetary items that cannot be restated, namely, "non-monetary items that are carried at amounts that are current at the end of the reporting period, such as net realizable value and fair value, and therefore are not restated" (Katuka, 2017).

On the other hand, IAS 29 and SYSOHADA recognize that revaluation in the period of hyperinflation concerns not only the Balance Sheet (statements of financial position) but also the Income Statement. But IAS 29 adds that the elements of the cash flow statement must also be expressed in the unit of measurement in force at the end of the reporting period.

It should also be noted that IAS 29 and SYSCOHADA do not establish an absolute rate at which hyperinflation is deemed to arise. Both systems consider that it is a matter of judgment whether a restatement of the financial statements for hyperinflation is necessary. However, both systems provide the same characteristics of the hyperinflationary economic environment as a guide.

3.3.2. Restatement provisions

According to both IAS 29 and SYSCOHADA, the restatement provisions of the financial statements differ depending on whether the balance sheet or the income statement is concerned. However, IAS 29 also distinguishes between restatements according to whether the elements of these financial statements are valued at historical cost or at current cost. Only those items in these statements that are measured at historical cost need to be restated.

Balance sheet items (statement of financial position) "measured at current cost are not restated because they are already expressed in the unit of measurement in effect at the end of the reporting period" (OHADA, 2017).

Income statement expenses and revenues should be restated whether they are measured at current or historical cost because "the statement of comprehensive income at current cost, before restatement, generally presents costs that were current at the time the underlying transactions or events occurred. Cost of sales and depreciation are recorded at costs that were current at the time of consumption; sales and other expenses are recorded at their cash amounts when they occur" (Mbangala & Wanda, 2019). Thus, all "amounts must be restated in the unit of measurement in effect at the end of the reporting period, by applying a general price index" (OHADA, 2017).

Nevertheless, it should be noted that IAS 29 and SYSCOHADA together recommend the following restatement provisions:

- Non-monetary items measured at cost or amortized cost should be restated by applying to cost and amortization a general price index covering the period from the date of acquisition to the balance sheet date;
- Non-monetary items revalued (or valued at fair value or index value) should be restated by applying to the value a general price index covering the period from the date of revaluation to the balance sheet date;
- Non-monetary items should not be revalued because they are already valued in the value of the currency at the balance sheet date;
- Information for the previous period should be presented using the value of the currency at the time.

3.4. Fair value measurement of assets

Various IFRS standards provide for the use of fair value either to account for certain balance sheet items or for disclosure purposes in the notes. A nuance is clearly given that this is about issue of evaluation in terms of value (price) as opposed to cost (Richard, Bensadon, & Rambaud, 2018). The SYSCOHADA has, for its part, presented a form of fair value that is the current value (OHADA, 2017). The question is therefore whether this form of fair value converges with the provisions as set out in IFRS 13 'Fair Value Measurement'.

3.4.1. Scope

IFRS 13 This IFRS applies when "another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements)" (Collectif Groupe Revue Fiduciaire;, 2021). This standard does not apply in the context of: "share-based payment transactions that are within the scope of IFRS 2 Share-based Payment; leases that are within the scope of IAS 17 Leases; and measures that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets" (Obert, 2020).

SYSCOHADA, on the other hand, refers to current value in the context of the revaluation of fixed assets and in the context of the depreciation of assets. According to SYSCOHADA, this current value can be confused with the net realizable value (market value) in the context of a going concern (in this case it is not the fair value) (OHADA, 2017).

3.4.2. Valuation techniques

According to IFRS 13 "an entity shall use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs" (Obert, 2006).

IFRS 13 calls for three valuation techniques: "(1) The market approach, which uses prices and other relevant information generated by market transactions involving the same or comparable (similar) assets, liabilities, group of assets and liabilities. (2) The cost approach, which reflects the amount that would currently be required to replace an asset (current replacement cost). (3) The income approach, which converts future amounts (cash flows or income and expense) into a single amount, reflecting the current market and expectations for those future amounts" (Obert, 2020).

The logic of current value as advocated by SYSCOHADA is that of the market approach, "which takes into consideration price and other relevant information generated by market transactions involving the same or comparable (similar) assets, liabilities, group of assets and liabilities" (Mbangala & Wanda, 2019).

CONCLUSION

In this work, we have mainly focused on the different points of convergence and divergence in the accounting treatment of the effects of inflation in financial statements in order to determine whether the provisions for taking inflation into account in financial statements under the OHADA framework converge with the international IAS/IFRS standards.

Using the analytical, descriptive and comparative methods, we found several points of convergence and divergence between the two frameworks in terms of inflation accounting. These are mainly the following aspects:

- ❖ Distinction between monetary and non-monetary items, net realizable value, fair value, present value.

- Revaluation methods used
- Accounting for the revaluation surplus
- Restatement of financial statements in periods of hyperinflation
- Valuation of assets at fair value

From a scientific point of view, this work provides an in-depth knowledge of the way inflation is taken into account in financial accounting according to IAS/IFRS and OHADA standards. The work highlights the points of divergence as well as the points of convergence between these two standards so as to know whether or not OHADA standards are converging towards international financial standards in terms of inflation. Corporate accountants will find in this work provisions to take into account inflation in the preparation and elaboration of financial statements.

The content of our topic is so complex that it would be misleading to claim that it is exhaustive. Moreover, any analysis, no matter how decisive, is always debatable and full of shortcomings.

Far from being a point of arrival, therefore, this work constitutes a starting point that has simply cleared the ground for any researcher interested in this subject of inflation accounting. Further research can be done in the context of assessing inflation losses in financial statements.

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