

# International Financial Accounting Standards And The Continent Of Africa

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## ABSTRACT

*In response to the increased globalization of both commercial and financial markets and increased frequency of corporate scandals, the International Federation of Accountants (IFAC) has spearheaded an international initiative to standardize corporate financial reporting. This effort involves setting the standards, creating a process of adopting the standards that is tailored to the needs of each nation, overcoming the challenges of implementation that many countries face and ensuring continued observance of the standards once they are adopted. This paper focuses on the implementation of IFAC standards in the African Continent. An examination of IFAC's mission, its membership requirements and ongoing compliance program, and its assistance to developing nations will illustrate the current status of African nations in the standardization process. The countries representing the African continent possess many promising opportunities for growth and prosperity in the global economy and also present many distinct obstacles in their effort to embrace and implement the IFAC initiative. The approach used in this paper is to examine broadly the challenges faced by the different regions within Africa. This approach takes into account political, economic, cultural and religious differences found in distinct regions within the continent.*

**Keywords:** International Federation Of Accountants, Developing Nations, International Accounting Standards, GAAP Standards

## INTRODUCTION

IFAC was founded in 1977 and thirty years later it had 155 members in 118 countries representing over 2.5 million accountants. Membership in IFAC is restricted to professional accounting organizations or institutions. Most countries have only one professional accounting organization; however, some countries such as United Kingdom, Australia, Canada have more than one professional accounting organization who are members of IFAC. IFAC's mission statement reads as follows "IFAC aims to serve the public interest by strengthening the worldwide accounting profession and contributing to the development of strong international economies by establishing and promoting adherence to high quality international professional standards". The criteria for membership in IFAC include acceptance and active support of IFAC goals and compliance with IFAC obligations. The application process requires that a prospective member have the nomination of an existing IFAC member. In partial fulfillment of the application process, a prospective applicant completes a questionnaire using a document referred to as the "Assessment of the Regulatory and Standard-Setting Framework". This questionnaire requires response on essentially fact-based applicant information relating to matters such as current legal authority governing regulatory and auditing standards, educational and licensing requirements, ethical codes, and disciplinary action in the jurisdiction where the applicant is located. Applicants must also provide a "Declaration of Intent" regarding their adherence to IFAC membership requirements and release their two most recent years' audited financial statements. Preferred but not currently required is the "Statements of Membership Obligations (SMO) Self-Assessment" which requests that prospective or existing members assess their own "best endeavors to promote and incorporate international standards issued by IFAC and the IASB, quality assurance and investigation and discipline programs to monitor compliance with applicable professional standards".

## **STATEMENTS OF MEMBERSHIP OBLIGATIONS (SMO)**

IFAC's success depends exclusively on member's commitment and support to IFAC's ideals and principles. Member compliance with IFAC standards can only be garnered if members can resolve to adhere to a strict code of behavior. Thus, the SMO constitutes the cornerstone of IFAC success.

The SMOs consist of seven parts that serve as the foundation for IFAC's Compliance Program. SMO 1 obliges the member to have a quality assurance review program in place to control and monitor practitioner's internal activity as it relates to auditing of financial statements. SMO 2 sets educational standards with which members must comply. SMO 3 requires member bodies to notify their practicing members on issuances of the various IFAC standards and pronouncements.

SMO 4 compels member bodies to inform and counsel their practicing members on the IFAC code of ethics. SMO 5 cites the member's obligations in relation to Public Sector Accounting Standards. SMO 6 gives guidelines regarding the investigation necessary and disciplinary action imposed in the event of a practitioner's breach of standards. IFAC states that it recognizes the variance in laws and customs across cultures and will make adjustments in compliance requirements in accordance with these differences in certain cases. The final SMO 7 encourages the member bodies to support the work of IASB by adopting the IFRS standards and keeping their members informed of all IFRS pronouncements.

Graham Ward, president of IFAC from 2004-2006, stated that the purpose of the SMOs along with the other Compliance Program documents was to provide a global snapshot of the accountancy profession that demonstrates its "willingness to be held accountable for its actions, to meet high standards, to deliver quality, and to protect the public interest". The member responses to IFAC documents will also highlight areas that need further attention and development. The next step post-analysis of the responses is to formulate action plans to address the issues that arise in the process.

## **IFAC STANDARDS: AN OVERVIEW**

IFAC standards have evolved over the years to accommodate developments in the commercial and financial markets of the world. At the moment these standards are subdivided into five categories auditing, quality control, code of ethics, education, and public sector accounting. IFAC's overriding objective of standardization is to lend credibility to financial information that is reported across multiple markets using varying sets of rules endemic to the different jurisdictions of the members. Adoption of a common set of standards that would either replace or complement the existing accounting standards for each nation would require that all reporting be based upon the same principles and would therefore be more readily accepted. IFAC stresses that the standards be more principle-based than rule-based. The organization believes that overemphasis on rules promotes narrow focus on the minutia of paperwork conformity and that an imposition of strict rule adherence ignores the more appropriate indigenous systems of many nations. The principle-based standards speak more to issues of conduct that can be universally embraced and employed.

## **THE INTERNATIONAL ACCOUNTING STANDARDS BOARD (IASB)**

The International Accounting Standards Board (IASB) issues the International Financial Reporting Standards (IFRS). The IASB provides the theoretical and philosophical basis of international accounting standards and IFAC complements the IASB efforts by setting implementation guidelines for the practitioners. After much debate, wrangling, and persuasion, among the various accounting bodies world-wide, it was agreed that IASB standards be principle-based as opposed to rule-based standards Generally Accepted Accounting Principles found in the United States. One of the IFAC's primary goals is to achieve convergence of these accounting standards with the resultant paradigm aligning with the IFRS set of standards. The Financial Accounting Standards Board (FASB) (the principal standard setting body in the United States) is the single most important dissident in the adoption of IFRS standards.

## **DEVELOPING NATIONS: AN OVERVIEW**

Some of the most challenging tasks facing the IFAC initiative relate to the adoption, implementation, and compliance with IFAC standards in developing nations. IFAC estimates that 95% of the world's population growth in the future will occur in developing nations. It is, therefore, imperative and incumbent upon the organization to foster the development of credible and sustainable accounting professions throughout these regions.

In order to promote prosperity and mitigate poverty in an increasingly globalized environment, these nations must be able to attract foreign investment capital. In order to do so their financial reporting must be seen as trustworthy and transparent. These countries must also establish a stable political and economic infrastructure to support their own commerce as well as that of other markets. IFAC believes that the accounting organizations within these nations are the linchpins for raising and sustaining a standard of living that they so desperately need. To that end, IFAC has created a Developing Nations Committee with the stated objectives of first understanding the myriad assortment of challenges facing developing nations and then providing support, assistance, resources, and counseling to these nations as they struggle with adoption of IFAC standards.

IFAC's Developing Nations Committee has produced an on-line toolkit entitled, "Establishing and Developing a Professional Accountancy Body" which is a comprehensive guide for any country or region wishing to undertake this endeavor. This manual deals with general legislative and regulatory issues along with internal management and structural considerations. It also discusses marketing, membership, education, codes of ethics, and communication matters that any organization must handle.

The Developing Nations Committee is also instrumental in cultivating relationships with donor agencies and other significant stakeholders who can advance the interests of the developing organizations and the objectives of the IFAC initiative.

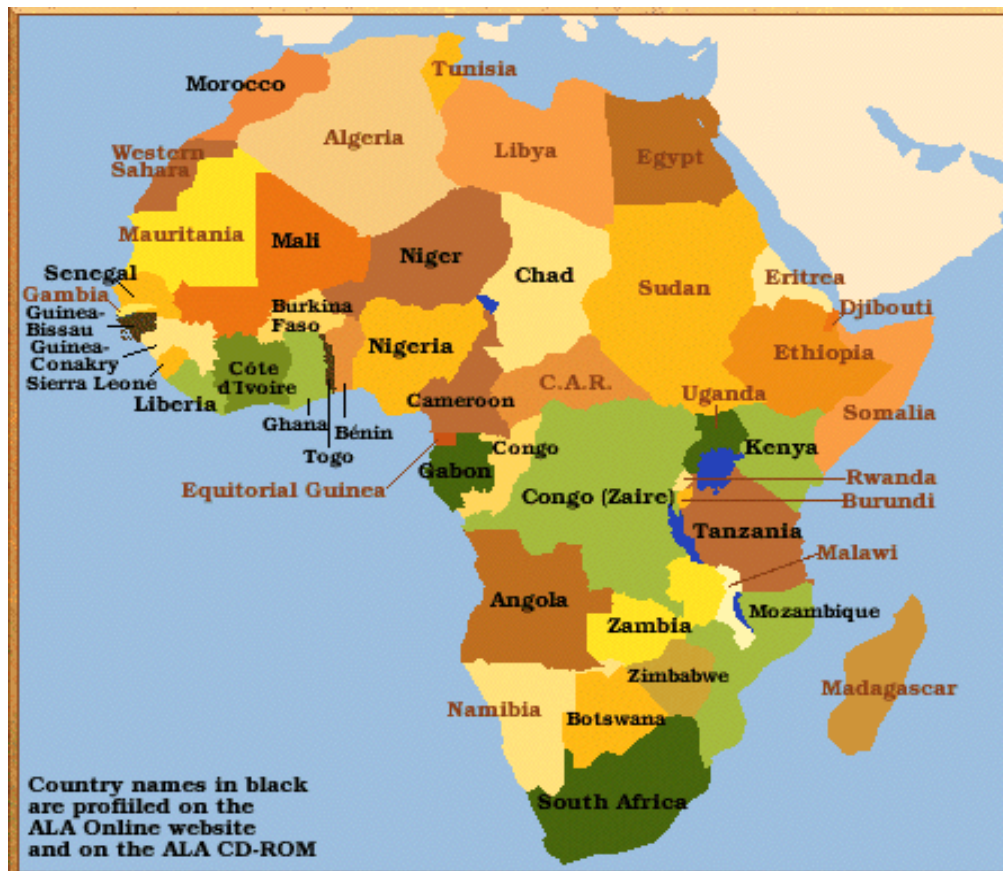
In October 2004, IFAC created the Developing Nations Permanent Task Force (DNPTF) to complement the efforts of the Developing Nations Committee. The (DNPTF) was to focus on the unique issues affecting developing markets on the implementation of IFRS. At the same time, another task force was created to deal with the problems confronting small and medium size enterprises (SMEs) in their efforts to conform to standards that were designed for and better suited to larger companies. The creation of this task force was welcomed by the developing countries where the bulk of business enterprises are either small or medium-sized companies. *(After meetings in South Africa and Prague in March, 2005, the IFAC Board addressed these newly identified needs by appending the developing nations committee's original initiative with recommendations emphasizing a country-specific approach to aid the development of the accounting profession in each region.)* The multitude of challenges encountered in the developing countries prompted the board to create a mentoring program where developing countries such as India and China can assist in the process for nurturing professional organizations in the lesser developed countries. In February 2007, the IASB proposed modified IFRS for SMEs world-wide that were more appropriate for smaller sized firms. The plan according to IFAC is to "simplify methods for recognition and measurement" and in so doing reduce the requirements of the full IFRS by 85%. To be eligible companies must not be publicly traded or "hold assets in a fiduciary capacity for a broad group of outsiders". The intent is to ease the process and compliance obligations for smaller companies that find the full suite of IFRS too burdensome and costly to adopt.

## **INTERNATIONAL FINANCIAL REPORTING STANDARDS CHALLENGE**

Virtually, all African countries except perhaps for South Africa are among the least developed countries in the world. For these countries, the most critical challenges related to the adoption and implementation of IFRS are identified below:

- a) Non-existence of functional professional accounting organizations. For all practical purposes more than a half of all African countries do not have functional accounting organizations. In these countries, therefore, existence of IFAC and implementation of IFRS are out of question. IFAC faces the daunting task of assisting these countries to first develop functional professional accounting organizations. A plethora of accounting standards, methodologies and reporting formats following the practices of metropolitan mother companies are found in countries without a functional accounting profession.

- b) The standards must be translated into the native languages. Many of these countries do not well developed languages that can conveniently be used as a vehicle for translating IFAC and IFRS standards. In addition, many countries use more than one language and a choice may have to be made regarding the language to be used for financial reporting.
- c) Translation and use of accounting terminology can be confusing, rendering the original intent of the standard incomprehensible and irrelevant.
- d) This language barrier is also pertinent to translation of training materials and other resources. These translations must also be sensitive to the rapidly changing nature of IFRS and communicate modifications in a timely manner.
- e) The effective execution of these standards also requires a preexisting solid accounting infrastructure with corporate governance and financial reporting practices already in place. This is not always the case in developing nations.
- f) A contrasting problem is encountered in some of the countries with well-established professional accounting organizations and national laws and regulations that are difficult to reconcile with the very different standards imposed by IFRS. These nations frequently have social customs and political systems that also operate counter to IFRS dictates. This attempt to “erase the local in the interest of harmonizing with the global” is not always successful.
- g) Implementation of IFRS can impact the existing corporate and tax law and the governmental institutions must be ready and able to handle and respond to these issues.
- h) Enforcement concerns are also dependent on the laws of the lands involved and these vary widely by country and are virtually nonexistent in some nations. To be effective locally, international standards need the force of law and this is often lacking as is the mechanism to establish a legal framework by which to ensure compliance and disciplining of offenders.
- i) There is also a concurrent learning curve challenge present with these standards and it doubtful that African nations have the resident expertise necessary to properly apply IFRS.



## **REGIONAL OVERVIEW OF AFRICA**

The efforts by IFAC, besides being daunting, will undoubtedly meet with much resistance from nations that have a deep-seated distrust of paternalism and cynical about any initiative from the West. Many of the African countries emerged from colonial domination in the last forty years and are quite jealous about their newly won freedom. IFAC's endeavor to bring Africa into the modern world of commercial and financial markets remains to be seen. Appendix 1 gives a detailed summary of the status of the accounting profession in Africa. What appears to be quite evident from this data is that some countries have developed their own national accounting standards while others have opted to adopt regionally accepted standards as well as IASB/IFAC standards. Our analysis of regional efforts to institute IFAC standards is presented below. This analysis will where appropriate highlight developments in specific countries.

### **MENA – NORTHERN SAHARA COUNTRIES**

The MENA (Middle Eastern and North African) countries are made up of the African nations north of the Sahara desert and the 15 countries in the Middle East. Four of the six African nations represented (Egypt, Morocco, Tunisia, and Libya) are members of IFAC. Of the remaining two, (Algeria and Djibouti) Algeria's accountancy organization, 'Ordre National des Experts Comptables, des Commissaires aux Comptes et des Comptables Agrées' had shown an expression of interest in October 2006, but never followed through on obtaining their IFAC membership. We will omit Djibouti from this discussion due to no information being currently available.

Like the majority of the MENA nations, the North African nations' financial authorities allow/require companies to use the global International Financial Reporting Standards (IFRS). Also, the nations of Morocco, Tunisia, Libya, and Algeria have fully developed their GAAP Principles, and are in the process of asking companies to follow these standards. While most MENA countries use the IFRS standards, they are not represented on the International Accounting Standards Board (IASB). There has been much support for the MENA countries to gain representation on the committee, seeing as the region is an emerging market (the area contains a wealth of oil and natural gas) with a unique culture. The Standards Advisory Council is the only IASB subcommittee that currently contains a MENA representative (Adir Inbar of Israel). The problem is, Israel neither recognizes IFRS nor has good communication with the other MENA countries due to various conflicts. By including a MENA representative, the IASB will be made aware of such cultural differences and can work together with the MENA countries to find common ground.

Due to the diversity of the region and its individuality when compared to the rest of the world, there are many obstacles that stand in the way of total IFRS integration. Culture, legal systems, tax, and the business practices of the companies themselves all need to be addressed. The IASB, along with the International Accounting Standards Committee Foundation (IASCF) were created to take these factors into account and reduce the variation among differing worldwide accounting principles.

The ultimate goal of the IASB would be to implement a universal standard, which would eliminate confusion and not force investors to comply with an individual country's accounting standards. Unfortunately, this is easier said than done, because it would force certain countries to comply with accounting standards that do not have their best interests in mind, along with abandoning their current methods of business reporting and taking away their ability to set their own standards.

### **EASTERN, CENTRAL, AND SOUTH AFRICAN FEDERATION OF ACCOUNTANTS (ECSAFA)**

The Eastern, Central and Southern African Federation of Accountants, or ECSAFA, seeks to promote internationally recognized accounting standards within the Eastern, Central, and Southern regions of Africa. The ECSAFA was founded in 1989 in Mauritius, an island nation located in the Indian Ocean, just off the eastern coast of Africa. As stated by Butler Phirie, president of the ECSAFA, the organization's mission is: "to build and promote the accountancy profession in the Eastern, Central and Southern regions of Africa in order that it is, and is perceived by accountants, business financiers and governments to be an important factor in the economic development of the region."

Presently, the ECSAFA is comprised of fifteen full members from fourteen countries including Botswana, Democratic Republic of Congo, Ethiopia, Kenya, Lesotho, Malawi, Mauritius, Namibia, South Africa, Swaziland, Tanzania, Uganda, Zambia, and Zimbabwe. Temporary members include Angola, Eritrea, Mozambique, and Sudan. Temporary membership status is given to those countries that are still in the process of forming a national accountancy body.

ECSAFA members formally adopted the international standards for accounting and auditing in 2000. Though these standards have been adopted, it is generally felt that many countries possess only a limited understanding of the IFAC standards and procedures. Therefore, all countries who are members of the ECSAFA are not necessarily meeting the requirements set forth by IFAC and IASB as of yet. Unfortunately, these countries lack the funding required to properly educate accountants on IFAC and IASB standards. However, the IASB did agree to print and distribute the International Accounting Standards to members of the ECSAFA at a discounted rate. Therefore, the process of the ECSAFA's adoption of International Accounting Standards has been partially the result of IASB's willingness to provide materials at a discounted price in order to further the growth and knowledge of developing nations.

Below is a more detailed look at some of the countries that belong to the ECSAFA and their history and development in the profession of accounting:

**Botswana:**

Companies in Botswana were not monitored or governed from an accounting standpoint until the late 1980's. Before that, each company had individual practices that were unique to that company. The Botswana Association of Accountants was formed in the late 1980's. With a growing economy in Botswana, the necessity for more structure in the accounting profession was imperative. This necessity led to the passing of the Accountants Act of 1988, which helped with the "regulation of accountants and auditors in Botswana." The Botswana Institute of Accountants belongs to the ECSAFA, and all members of the Botswana Institute of Accountants are required to comply with a code of ethics as well as follow accounting regulations as set forth by the institute.

**Kenya**

International Accounting Standards were officially adopted in Kenya in 1998 by the Institute of Certified Public Accountants of Kenya. This requirement was to take effect on or about January 1, 2000. Kenya is currently an IFAC member.

**Lesotho**

In Lesotho, two organizations, the Legal and Technical Committee, and the Council of the Lesotho Institute of Accountants recommend IASC standards, though use of these standards is not a requirement. Lesotho is a member of IFAC

**Namibia**

Currently, a limited amount of information exists on the accounting standards and practices of Namibia. In Namibia, International Accounting Standards are used as a framework and guide for accounting practice, but the standards have not been officially adopted.

**Tanzania**

Tanzania is currently an IFAC member and accounting principles are set and regulated by the National Board of Accountants and Auditors. This is a government agency. Tanzanian accounting principles are regulated, yet they do not necessarily comply with International Accounting Standards. Tanzania's accounting standards are more specific to Tanzanian's specific accounting needs. These guidelines are called the TSAG, or Tanzanian

Statements of Accounting Guidelines. TSAGs are molded after International Accounting Standards, yet are more specific to the Tanzanian economic situation and needs.

### **Zimbabwe**

Zimbabwe, an IFAC member, is a country in which there are many standard accounting practices and procedures in place. In Zimbabwe, both IAS and Zimbabwe accounting standards are implemented. The IAS standards and the Zimbabwe standards are almost synonymous; therefore compliance with IAS basically means compliance with Zimbabwe-specific accounting practices. All International Accounting Standards are reviewed by the Zimbabwe Accounting Practices Board before they are deemed to be the generally accepted practice for Zimbabwe. Once accepted, the IAS standards are also then referred to as the “Zimbabwe Accounting Standards.” In Zimbabwe, only a few accounting standard exceptions exist for mining companies and companies with needs and specifications that are unique to Zimbabwe.

In general, the countries who belong to the ECSAFA organization are working to comply with the internationally accepted standard practices in the field of accounting. Due to lack of funding in many impoverished areas of Africa, the implementation of IAS is not always possible. Yet African governmental organizations do exist to ensure that in areas where IAS is not implemented, accounting standards that address the unique needs of these regions and countries are being used wherever possible.

### **SAICA**

SAICA is a non-profit organization that represents the South African Institute of Chartered Accountants. SAICA is divided into four regions: Central, Eastern, Northern, and Southern. Each of these regions contains its own Council and President. The Council for each region has the task of ensuring that SAICA standards are implemented throughout the region. Each region also has a Regional Executive who is further responsible for strategy implementation. Internationally, SAICA actively participates as a member of IFAC and IASC. SAICA also plays a key role in its membership with ECSAFA.

The mission of the SAICA organization, as stated on their website [www.saica.co.za](http://www.saica.co.za) is:

“to serve the interests of the Chartered Accountancy profession and society, by upholding professional standards and integrity, and the pre-eminence of South African CAs nationally and internationally.”

The SAICA was initiated in 1980, and it began with 9,102 members. This number has grown to close to 24,000 members currently. Before the formation of the SAICA, accounting standards were set on a more local and regional basis.

In South Africa, the accounting profession is commonly referred to as the CA, or chartered accountant, a designation set forth by the SAICA. The CA profession has many educational requirements including: a bachelor of accounting degree, an honors degree in accounting, a certificate in the theory of accounting (which corresponds with the honors degree), and a three year internship, among other requirements. Because of the many strict requirements, the CA profession is a highly regarded one in South Africa and CA's earn high salaries.

In 1993, SAICA made the decision to base its accounting practices on the International Accounting Practices fully. In order to accomplish this, the SAICA had to initiate improvements in order to streamline SAICA's GAAP with the international standards. New standards were issued where applicable, and currently, mostly all standards of the SAICA now coincide with the International Accounting Standards. South Africa is an IFAC member.

### **ECOWAS & ABWA**

Fifteen of the sixteen countries categorized as West African belong to the Economic Community of West African States (ECOWAS). The countries are Benin, Burkina Faso, Cape Verde, Cote d'Ivoire, The Gambia,

Ghana, Guinea, Guinea Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, and Togo. Mauritania withdrew from the organization in 2000. The group's goal is to achieve "collective self-sufficiency" for its members by "promoting economic integration in all fields of economic activity, particularly industry, transport, telecommunications, energy, agriculture, natural resources, commerce, monetary and financial questions, social and cultural matters .....". Ten of these nations (eleven including Mauritania) were once French colonies and are still heavily influenced by the French. The currency used in Francophone West Africa is the CFA franc which is controlled by the Western African Economic and Monetary Union (UEMOA). There is a movement among the Anglophone nations to establish a common currency called the Eco. This will be launched December 1, 2009 and will be managed by the West African Monetary Zone (WAMZ). The unification of these Western nations is intended to spur growth and development and inhibit aggression within the region.

The Association of Accountancy Bodies in West Africa (ABWA) was originally created as a sub-regional arm of IFAC. The stated primary objective of the ABWA is "to develop and enhance the accountancy profession in West Africa and thereby improve governance, eliminate waste and corruption, reduce poverty and enhance the standard of living of the peoples of the West African sub-region". The ABWA consists professional accounting organizations from several West African nations. The Anglophone countries are Ghana, Nigeria, Sierra Leone, The Gambia, and Liberia. The Francophone countries are Cote d'Ivoire, Cameroon, Benin, Niger, and Togo. The ABWA was officially recognized in 2003 as an IFAC Regional Grouping.

Cameroon, Cote d'Ivoire, Ghana, Liberia, Nigeria, and Sierra Leone are members of IFAC. As of this writing only two countries have adopted IFRS. Ghana, as of January 1, 2007, is using IFRS in place of Ghana national accounting standards for unlisted banks, utilities, brokerage, insurance, and government owned businesses. IFRS will extend to all enterprises beginning in 2009 in Ghana. Sierra Leone adopted IFRS as its national standard in 2006. Sierra Leone does not currently have a stock exchange but one is in development. The other countries all use nationally established GAAP standards some of which were based on original International Accounting Standards (IAS) the precursor to IFRS. The ABWA is encouraging the other non-member nations to join its efforts but currently the member nations still number ten.

#### **AFRICA REGION LEARNING WORKSHOP**

IFAC, in accordance with its interest in Africa's economic development and sustainability, held the Africa Region Learning Workshop on September 28 and 29, 2006 in Nairobi, Kenya. The attendees included representatives from 37 African countries and members of regional accountancy bodies, banks, governments, and other private sector institutions. The recommendations emanating from this workshop, were intended to guide the countries without established accountancy organizations toward development of appropriate structures and institutions to support establishment of professional accounting bodies. Concurrently, these countries had to embark on promotion of high level educational standards for current and prospective accounting professionals, fortify the institutional framework that supports the existing professional organizations. These efforts will help in improving the level of financial reporting. Toward that end, workshop participants initiated the formation of an Africa Focus Group which will advocate for and monitor the progress of the workshop's proposals. One of the foremost goals of the Africa Focus Group is to establish a Pan African accounting organization.

President Butler Phirie of the ECSAFA noted in his speech at the workshop some of the major accomplishments and most difficult challenges surrounding the adoption of IFRS in Africa. The World Bank has approved a grant to ECSAFA to aid the organization in its effort to harmonize accounting and auditing standards in the region between IFRS and national GAAP. The impediments to progress, cited Mr. Phirie, include the opaque nature of the IFRS that make comprehension problematic for many member country accounting professionals and also the prohibitive cost of distribution. The ECSAFA has gained permission to print copies of the standards and to deliver them to members at a discount. One of the IFAC SMOs requires that member bodies review accountants in their countries for compliance with standards. This created an insurmountable burden for most countries within ECSAFA so the organization set up a "central audit quality monitoring facility" to "undertake the establishment of a compliance regime in the countries which were unable to do it on their own or which wanted a less costly service from ECSAFA utilizing economies of scale". Mr. Phirie stated, however, that the ECSAFA is feeling the financial



strain from its endeavor to act as policeman for the entire region and consequently the attainment of its objectives has been somewhat hindered.

The workshop held six breakout sessions focusing each on a particular aspect of IFRS adoption and compliance. The first dealt with the issues of small and medium enterprises. The session felt that standards should be simplified and less frequently revised. Developing nations should be better represented in the international standard-setting arena so they could offer relevant feedback and participate in field tests of new or revised standards. They should also have access to quality and timely translations of the standards along with appropriate user friendly software and instructional information.

The second session addressed corruption and ethics. They concluded that the importance of ethics and the consequences of corruption need to be stressed in their educational systems in general at an early age and particularly in the schools of accounting. They also noted the need to provide the public with a means to report wrongdoing.

The education focus of the third session yielded recognition of the need for the development of “knowledge hubs” that are regional in nature and share standard educational materials, teaching methods, and objectives. They also support the increase of internship programs to assist students in gaining practical experience and governmental legislation to make these educational goals mandatory.

The fourth session dealt with the challenges of establishing and developing national accounting bodies. The recommendations were to encourage and mobilize the support of government, existing regional accounting organizations, donor agencies, and outside international companies in the form of fiscal funding and technical expertise.

Session five concentrated on the need to sustain good corporate governance. The proposals included the promotion of democratic practices in electing key leaders, the advocacy of all elements of good corporate governance by the leadership, and the recognition that its adoption is inevitable. There should also be greater access to and emphasis on training in good practices for company personnel at all levels.

The sixth and final session tackled the need to strengthen public sector accounting and auditing. This recognized that the primary challenges were related to staffing and called for highly qualified personnel trained in International Public Sector Accounting Standards (IPSAS) responsible for implementing strong internal auditing and controls. They also acknowledged the need to replace manual systems with computer software systems. In addition to internal measures, they concede the need for independent, external rules of law based in the judiciary system that can enforce compliance and punish transgressions.

At the conclusion of the Workshop, over thirty countries signed a document that summarized the main objectives of the conference and envisioned a future course for both the African accounting profession and the African continent. The “Declaration of Nairobi” sets a hopeful tone for Africa’s potential as a healthy, prosperous player on the world economic stage. The paper calls for the establishment of the African Federation of Professional Accountants, a Pan African organization devoted to promoting the accounting profession and the welfare of the African economy. As previously mentioned, this has yet to reach fruition.

## **CONCLUSION**

The recently released IASB annual report states that 2006 was a transitional year for the IFRS movement. Over 100 countries worldwide now either require or permit use of IFRS in their financial reporting. There is, however, much work to still be done. As IFRS is still evolving throughout the global landscape, adjustments are being made to ease the transition and provide an atmosphere amenable to convergence. The IASB has been working with the FASB to establish new common standards where IFRS and GAAP currently diverge and to maintain the standards that currently harmonize. The organization has deferred implementation of any new standards until January 1, 2009 to give companies the added time to adapt and comply. IASB will publish discussion papers about key issues allowing the general accounting public to review and offer input prior to employing any new standards.

On June 21, 2007 the United States Securities and Exchange Commission proposed allowing non-U.S. public companies listed on U.S. exchanges to report their financials using IFRS without converting them to U.S. GAAP standards as was previously required. This will, if passed, give global companies greater access to U.S. capital without much of the concomitant cost of maintaining two sets of books.

Africa is experiencing many of the common challenges of IFRS adoption and compliance associated with any developing nation. These include the lack of expertise in IFRS, the struggle with language translation issues, the instability of preexisting accounting infrastructures, and the absence of good corporate governance. Much of Africa consists of small to medium business entities with the attendant difficulties in applying IFRS especially regarding the issue of fair value measurement.

Plagued with severe poverty, crippling trade imbalances, crumbling infrastructures, devastating diseases, and unrelenting civil unrest and warfare, the continent of Africa has a staggering task before it to just survive in the 21<sup>st</sup> century. Even the Northern countries with valuable natural gas and oil resources still struggle with modest growth rates and double-digit unemployment numbers. The economic, political, and social challenges that face much of Africa make the adoption of and compliance with IFRS a monumental task. The fact that 21 countries are members of IFAC and that 16 have at some level accepted IFRS is a testament to their effort and a glimpse at the possibilities. IFRS will hardly solve all of their problems but it may be a promising step in the direction of good, sound corporate practice. It will help to position the African continent to take its place on the world stage. The capital investment that will follow will empower the African people to be active participants in the burgeoning global economy. It is a symbiotic cycle that will improve the standard of living for most and save the very lives of many.

**Appendix 1**

**Accounting Standards Of African Nations**

<b>Countries</b>	<b>IFAC Member</b>	<b>IFRS not permitted</b>	<b>IFRS permitted</b>	<b>IFRS Some domestic listed companies</b>	<b>IFRS all domestic listed companies</b>	<b>Nat'l GAAP</b>	<b>Regional Affiliation</b>
Algeria	No					X	
Angola	No					X	
Benin	No					X	ABWA
Botswana	Yes		X				ECSAFA
Burkina Faso	No	X				X	
Burundi	No					X	
Cameroon	Yes					X	ABWA
Cape Verde	No					X	
Central African Rep	No					X	
Chad	No					X	
Comoros	No					X	
Cote d'Ivoire	Yes	X				X	ABWA
Dem Rep of Congo	No					X	ECSAFA
Djibouti	No					X	
Egypt	Yes				X		
Equatorial Guinea	No					X	
Eritrea	No					X	
Ethiopia	No					X	ECSAFA
Gabon	No					X	
Ghana	Yes				X		ABWA
Guinea	No					X	
Guinea-Bissau	No					X	
Kenya	Yes				X		ECSAFA

**Accounting Standards Of African Nations continued**

<b>Countries</b>	<b>IFAC Member</b>	<b>IFRS not permitted</b>	<b>IFRS permitted</b>	<b>IFRS Some domestic listed companies</b>	<b>IFRS all domestic listed companies</b>	<b>Nat'l GAAP</b>	<b>Regional Affiliation</b>
Lesotho	Yes		X				ECSAFA
Liberia	Yes					X	ABWA
Libya	No					X	
Madagascar	Yes					X	
Malawi	Yes				X		ECSAFA
Mali	No	X				X	
Mauritania	No					X	
Mauritius	No	X				X	ECSAFA
Morocco	Yes		Non-banks	Banks			
Mozambique	No	X				X	
Namibia	Yes				X		ECSAFA
Niger	No	X				X	
Nigeria	Yes					X	ABWA
Principe	No					X	
Republic of Congo	No					X	
Rwanda	No					X	
Sao Tome'	No					X	
Senegal	No					X	ABWA
Seychelles	No					X	
Sierra Leone	Yes		X				ABWA
Somalia	No					X	
South Africa	Yes				X		ECSAFA
Sudan	No					X	
Swaziland	Yes		X				ECSAFA
Tanzania	Yes				X		ECSAFA
The Gambia	No					X	ABWA
Togo	No	X				X	ABWA
Tunisia	Yes	X				X	
Uganda	Yes		X				ECSAFA
Zambia	Yes		X				ECSAFA
Zimbabwe	Yes		X				ECSAFA

**Terms**

IFAC - International Federation of Accountants

IFRS - International Financial Reporting Standards

National GAAP - National Generally Accepted Accounting Principles

ABWA - Association of Accountancy Bodies in West Africa

ECSAFA - Eastern Central and Southern African Federation of Accountants

**African Economic Indicators**

<b>Countries</b>	<b>GDP/PPP* Total (billions)</b>	<b>GDP/PPP* per capita</b>	<b>Real Growth Rate</b>	<b>Inflation Rate</b>	<b>Unemployment Rate</b>
Algeria	\$233.900	\$7,200	6.00%	4.70%	22.5%
Angola	\$45.930	\$3,200	19.10%	17.70%	50.0%
Benin	\$8.669	\$1,100	3.90%	3.20%	n/a
Botswana	\$16.480	\$10,000	3.30%	8.30%	23.8%
Burkina Faso	\$16.830	\$1,200	4.50%	3.00%	n/a
Burundi	\$4.399	\$600	4.50%	14.00%	n/a
Cameroon	\$31.770	\$1,900	3.70%	1.50%	30.0%
Cape Verde	\$2.990	\$6,200	5.50%	1.80%	21.0%
Central African Rep	\$4.479	\$1,100	2.50%	3.60%	8.0%
Chad	\$17.730	\$1,800	18.00%	5.50%	n/a
Comoros	\$0.441	\$600	3.00%	3.00%	20.0%
Cote d'Ivoire	\$26.110	\$1,500	0.80%	2.00%	13.0%
Dem Rep of Congo	\$46.370	\$800	6.50%	9.00%	n/a
Djibouti	\$0.619	\$1,300	3.50%	2.00%	50.0%
Egypt	\$339.200	\$4,400	4.70%	4.30%	10.0%
Equatorial Guinea	\$25.690	\$50,200	18.60%	5.00%	30.0%
Eritrea	\$4.471	\$1,000	2.00%	15.00%	n/a
Ethiopia	\$60.340	\$800	7.00%	6.00%	11.0%
Gabon	\$8.047	\$5,800	2.10%	1.50%	21.0%
Ghana	\$51.900	\$2,400	4.30%	15.00%	20.0%
Guinea	\$20.780	\$2,200	2.00%	25.00%	n/a
Guinea-Bissau	\$1.103	\$800	2.80%	4.00%	n/a
Kenya	\$39.600	\$1,200	5.20%	12.00%	40.0%
Lesotho	\$6.064	\$3,000	0.80%	4.70%	45.0%
Liberia	\$2.598	\$900	8.00%	15.00%	85.0%
Libya	\$48.290	\$8,400	8.50%	-1.00%	30.0%
Madagascar	\$15.850	\$900	6.00%	10.00%	5.9%
Malawi	\$7.645	\$600	1.00%	15.40%	n/a
Mali	\$11.860	\$1,000	5.50%	4.50%	14.6%
Mauritania	\$6.198	\$2,000	5.50%	7.00%	20.0%
Mauritius	\$16.280	\$13,200	3.10%	5.60%	10.5%
Morocco	\$140.900	\$4,300	1.20%	2.10%	10.5%
Mozambique	\$25.660	\$1,300	7.20%	7.80%	21.0%
Namibia	\$16.580	\$8,200	4.20%	2.70%	35.0%
Niger	\$10.220	\$800	3.80%	0.20%	n/a
Nigeria	\$132.900	\$1,000	5.60%	15.60%	2.9%
Principe	\$0.214	\$1,200	6.00%	15.10%	n/a
Republic of Congo	\$2.616	\$700	8.00%	2.00%	n/a
Rwanda	\$11.260	\$1,300	4.80%	8.00%	n/a
Sao Tome'	see Principe	>>>	>>>	>>>	see Principe
Senegal	\$20.440	\$1,700	5.20%	1.70%	48.0%
Seychelles	\$0.626	\$7,800	3.00%	4.40%	n/a
Sierra Leone	\$5.022	\$900	5.50%	1.00%	n/a
Somalia	\$4.835	\$600	2.40%	n/a	n/a
South Africa	\$534.600	\$12,100	4.60%	4.60%	25.2%
Sudan	\$84.930	\$2,100	7.70%	11.00%	18.7%
Swaziland	\$6.222	\$5,500	1.80%	4.00%	40.0%
Tanzania	\$26.850	\$700	6.80%	4.00%	n/a
The Gambia	\$2.946	\$1,800	5.50%	8.80%	n/a
Togo	\$8.948	\$1,700	2.50%	5.50%	n/a
Tunisia	\$76.990	\$7,600	4.80%	3.20%	13.5%
Uganda	\$46.060	\$1,700	9.00%	9.70%	n/a
Zambia	\$10.230	\$900	5.00%	19.00%	50.0%
Zimbabwe	\$24.990	\$2,100	-7.00%	585.00%	80.0%

\* All of the Gross Domestic Product (GDP) information was based on 2005 estimates except for Comoros, Djibouti, & Seychelles from 2002, & Principe/Sao Tome' from 2003 Information from 2007 Time Almanac

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#### NOTES