

## **Evaluation of Accounting Practices for Compiling Accounts According to the Financial Accounting System (SCF) In the Economic Institution**

**- The case study of the Complex of the National Establishment for Services in Wells ENSP during the year 2018-**

**Dr. Abdelkader Dachache <sup>1\*</sup>, Dr. Mohammed Larbi Guezzoun <sup>2</sup>, Dr. Ahmed Yacine Abada <sup>3</sup>**

<sup>1</sup>Faculty of Economic, Commercial and Management Sciences, Kasdi Merbah University, Ouargla (Algeria),  
Email: [dechache.abdelkader@univ-ouargla.dz](mailto:dechache.abdelkader@univ-ouargla.dz)

<sup>2</sup>Faculty of Economic, Commercial and Management Sciences, Kasdi Merbah University, Ouargla (Algeria),  
Email: [Medlarbidz@hotmail.com](mailto:Medlarbidz@hotmail.com)

<sup>3</sup>Faculty of Economic, Commercial and Management Sciences, Kasdi Merbah University, Ouargla (Algeria),  
Email: [abada.ahmed.yacine@gmail.com](mailto:abada.ahmed.yacine@gmail.com)

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### **Abstract:**

The study aims to evaluate some accounting practices for compiling accounts according to the financial accounting system SCF by relying on two aspects. The first aspect relates to accounting practices for compiling accounts from a technical professional outlook, and the second aspect relates to understanding the content of the financial accounting system related to compiling accounts and the extent to which it is applied and familiar with it. In order to reach the results of the study, the field study was based on the case study approach. The field practice was compared to what is stipulated in the financial accounting system, so these observations were dropped on a standard established according to the study to obtain a numerically significant (statistical) result. The study results showed general difficulties in accounting compilation from a technical professional and cognitive point of view. Finally, the study concluded that the level of familiarity in the ENSP complex with accounting practices by compiling accounts according to the financial accounting system related to the year 2018 is of an average level, according to the results obtained by discussing the study's hypotheses.

**Keywords:** Accounting practices, Compilation of accounts, Consolidated financial statements, Financial accounting system.

### **1. INTRODUCTION**

The development of the size of economic companies through the expansion of their activity or the multiplicity of investment fields leads to a development in the field of research from the accounting side of this type of company. The accounting specialization deals with this subject under several names, the most prominent of which is (complex accounting). The study of this subject also depends on at least two aspects. The first aspect is relying on the accounting system that controls the accounting workflow within these companies. In our study, the controlling accounting system is the Algerian financial accounting system, and the second aspect is relying on accounting practices within these economic entities.

### **2. The problem of the study:**

From the above, the following problems can be raised:

**How familiar was ENSP with accounting practices related to the compilation of accounts according to the financial accounting system during 2018?**

To simplify the understanding of the main problem, we ask the following sub-questions:

1. What is the level of familiarity with how the Complex under study prepares its financial statements, and what is their compatibility with what is stated in the financial accounting system?

2. What are the requirements for applying accounting practices to compile accounts according to the financial accounting system in the ENSP complex?

3. What is the impact of differences in accounting practices between branches on preparing consolidated financial statements at ENSP?

4-How familiar is the Complex of the study with the neutralization of exchanges between branches, and how committed is the Complex to the requirements of the financial accounting system in this regard?

I.2-Study hypotheses: To answer the sub-questions, we list the hypotheses related to them respectively as follows:

1. ENSP is highly familiar with the compilation methods used to prepare financial statements and determine the compilation perimeter, which is relatively in line with what is stated in the financial accounting system regarding the compilation methods and principles.

2- The lack of all the requirements of accounting practices related to the process of compiling accounts due to the difficulty of addressing some of the topics related to them, in addition to the complexities of the compilation process that the financial accounting system did not address in the way it is treated, which leads to the need to refer to international standards (IAS/IFRS), in addition to a difference in the application of accounting policies between the branches of the Complex.

3-The difference in accounting practice between branches affects the consolidated financial statements through the loss of some financial information due to this multiple difference in these policies.

4—The ENSP's knowledge of the accounting practices related to the accounting compilation process related to the identification of exchanges between branches varies. Due to the large number of exchanges, the ENSP is relatively committed to adhering to the requirements of the financial accounting system in excluding exchanges between branches.

### **Significance of the study**

The importance of the study in trying to evaluate the accounting practices for compiling accounts under the financial accounting system is due to the degree of importance of economic complexes in the development of national economic activity, and this only occurs after being able to control the compilation of the accounts of these complexes. This control of the compilation of accounts depends on the quality of the financial accounting system that organizes and directs the accounting practices that carry out the compilation process. The aim is to know the degree of strength of the actual activity of these complexes and, simultaneously, allow rational decisions to be made by attracting investments and decisions to expand the activity, etc.

### **Objectives of the study**

-Get familiar with the applied framework for compiling accounts.

- Knowledge of the level of accounting practices for compiling accounts within the framework of the financial accounting system.

- Knowing the most critical shortcomings in the financial accounting system and how to address this vacuum in practice.

- Identify the difficulties and problems facing the preparers of the consolidated financial statements in the Complex and how to face these problems.

- Attempting to organize the theoretical aspect and linking it to the practical aspect in the axis of compiling accounts in the economic institution and knowing the reality of these practices.

## **5 . Previous studies :**

**Researchers present the most important previous studies on the subject of the study as follows: (7 previous studies)**

1- The problem of preparing the consolidated financial statements for the institutions of the petroleum sector in light of the multiplicity of measurement alternatives and the diversity of accounting policies – Sonatrach Complex Case Study –<sup>1</sup>

The study aimed to identify the problem of preparing consolidated financial statements in light of the multiplicity of measurement alternatives and the diversity of accounting policies in several aspects. The focus was on two factors, the first of which was the difficulties and problems of preparing consolidated financial statements. The second is trying to identify factors to build a national accounting model in Algeria, and this is by raising the main problem: To what extent does the multiplicity of measurement alternatives and the diversity of accounting policies affect the collection methods in the Algerian petroleum sector institutions? The study sample comprised financial managers, accounting and financial frameworks, and auditors in the Complex's branches. The study also consisted of four variables (the job title variable, the scientific level variable, the scientific specialization variable, and the professional experience variable). In addressing the theoretical part, the analytical descriptive approach was used by extrapolating the accounting law and the associated books, magazines and studies ..., in addition to relying on interviews and analyzing the text of the discussions. As for the field part, the study used the case study approach and the statistical approach by analyzing the questionnaire data presented to the study sample. The study showed results that summarized the inability to rely on the accounting system only when preparing the consolidated financial statements. However, it also concluded that there are problems when preparing the consolidated financial statements in light of the multiplicity of measurement alternatives and the diversity of policies used in the study branches.

2-Accounting of complexes according to the financial accounting system in Algeria, a theoretical study supported by application examples,<sup>2</sup>

The study aimed to simplify and clarify the accounting treatment of corporate mergers according to the Algerian financial accounting system and to be supported by practical examples so that the problem was raised as follows: How are corporate mergers accounted for according to the financial accounting system in Algeria? A descriptive analytical approach was used to answer this problem. One of the study results is that more than relying on the Algerian financial accounting system alone, it is needed to address the most important topics related to compilation, for example, the goodwill difference, shareholding bonds, and fair Value.

3-The extent of credibility and transparency of the consolidated financial statements of the companies' Complex by the financial accounting system in Algeria,<sup>3</sup>

The study aims to highlight the importance and status of the accounting of the corporate Complex in Algeria. Because countries seek to attract investments that improve and strengthen the economic situation, Algeria needed to adopt a financial accounting system that is supposed to show that the consolidated financial statements are honest and transparent, reflecting the financial position of the corporate Complex. Therefore, the problem raised in this study is: How credible and transparent are the consolidated financial statements by the financial accounting system in Algeria? To answer the problem, the descriptive analytical approach was used, relying on descriptive statistics as a tool for interpreting and analyzing the collected information. The study concluded that the consolidated financial statements, by the financial accounting system, do not present the actual financial position of the corporate Complex as if it were a single entity.

4-The importance of preparing and presenting the consolidated financial statements according to the International Financial Reporting Standards requirements: a comparative study with the Algerian legislative and accounting texts.<sup>4</sup>

This study aims to analyze the importance of adopting and presenting International Financial Reporting Standards (IFRS) by focusing on IFRS 10, "Consolidated Financial Statements", which defines new concepts related to the compilation of accounts for the parent company and subsidiaries and control rules. It also pointed out the most critical differences in accounting practice in Algeria by raising the main problem: To what extent is the compatibility of Algerian legislative texts with the latest accounting standards for financial reporting? The study concluded that the legislative texts in Algeria are related to the accounting compilation process. Despite the reforms, the accounting level

must comply adequately with the developments in International Financial Reporting Accounting Standards. It does not deal flexibly with international variables to access accounting information.

5-Unifying the budget accounts by the financial accounting system and their compatibility with international standards—A case study of the Saidal Complex.<sup>5</sup>

The study dealt with consolidating the budget accounts according to the financial accounting system by posing a significant problem: Is the process of consolidating the budget accounts according to the financial accounting system compatible with the International Accounting Standards? This research used the current study approach to address the problem posed. Through this, it was touched on how to prepare the consolidated financial statements and the practical procedures and difficulties accompanying them. The study concluded that the consolidated financial statements, by the standards, give an honest and faithful picture of the financial situation of the GroupGroup. It also concluded that the financial accounting system does not comply with international financial reporting standards when dealing with the budget in light of consolidating accounts. It also concluded that there are difficulties in consolidating the budget accounts according to the financial accounting system within the institution under study.

6-Consolidation of accounts according to the SCF and the international IFRS framework.<sup>6</sup>

The study dealt with any knowledge of the practical aspects of the process of accounting standardization of methods and methods of this process as it was exposed to the financial accounting system and international accounting standards. The main problem was: What is accounting standardization, and how can it be implemented by International Accounting Standards IFRS and the financial accounting system SCF? The study also used the case study approach by paying attention to the practical aspects of the issue of accounting compilation in the institution under study. The study concluded with a set of results, including the fact that the consolidation process within the Group is simple and easy. The study also recommended focusing on errors that would affect the content of the consolidated financial statements within the institution under study.

7-Control of the perimeter and perimeter of control € "Reflection on the complex information system of groups.<sup>7</sup>

The study focused on the International Accounting Standards and the importance of the solutions provided by IFRS 10. Illustrative examples were used to provide suggestions that complement the traditional methods of accounting standardization, and the analysis and extrapolation approach will be used in the study. The study was supported by practical examples of the consolidated budget and the calculation of results based on International Accounting Standards. The study concluded with a set of conclusions, the most prominent of which considered expanding the scope of control over entities desirable and suggested that additional information be included in the consolidated accounts. The idea of the area of influence and flows was considered to enable users to obtain information that gives a better idea of the economic weight of the GroupGroup about that part of the profit that comes from the area of influence under control. It also showed the operational risks arising from the companies of the Complex.

## **6. Similarity and difference with the current study.**

(What distinguishes the current study)

- Relying on the current study approach, which presented the two independent variables and the dependent variable, commented on their relationship, and added criteria in the form of a questionnaire. These criteria were answered through the outputs of the case study and from it to answer the hypotheses presented.

## **7.] Theoretical Framework of the Study:**

### **1.7. Definition of the Complex:**

It is a unified economic bloc formed of several companies, each with a legal personality and different ties, headed by one company that controls the rest of the companies. This Complex is either in a local scope or outside the local scope.

### **7.2 Definition of Consolidated Financial Statements:**

**According to IFRS 10** Consolidated Financial Statements: "The financial statements of the Group, where the assets and liabilities, own funds, revenues and expenses and private treasury flows, of the parent company and subsidiaries are presented as if they belong to a single economic entity

### 3/7. Definition of Accounting Methods:

"The principles, principles, rules and practices applied by the Foup preparing and presenting the financial statements."

### 4.7. Definition of the Financial Accounting System:

As an academic definition: "Financial accounting is an information system based on a set of assumptions and principles that govern the process of converting economic events into financial information that serves a large group of beneficiaries. This process is done by recording, classifying, and summarizing economic events using rules, procedures, and methods derived from accounting principles and assumptions.

### 5.7 Content of the Financial Accounting System:

**Table(01): Summary of the content of the financial accounting system**

Semester	Class Title	Chapter content	Articles of Law 07-11
CHAPTER One	Definitions and Scope of Application	Definition of financial accounting, the field of application of the financial accounting system and exceptions from the field of application.	From 02 to 05
Chapter 2	Content of the Financial Accounting System	Conceptual Framework, Generally Recognized Accounting Principles, Accounting Standards and Code of Accounts.	06 to 09
Chapter Three	Accounting organization	Compulsory operations, supporting documents and accounting books, conditions and how to keep an account through automated media systems.	10-24
Chapter	financial statements;	The content of financial statements, the purpose of financial statements, and how to prepare and present financial statements.	25-30
Chapter Five	Consolidated accounts and merged accounts	Terms, conditions, methods, and procedures for preparing and publishing merged and composite accounts.	31-36
Chapter 6	Changing accounting estimates and methods	The purpose of changing accounting estimates and methods and how to change accounting estimates and methods.	37-40
Chapter Seven	FINAL PROVISIONS	The date of the entry into force of the Financial Accounting System, the abolition of the National Accounting Scheme and publication in the Official Gazette.	41-43

**Source: Mohammed Al-Habib Marhoum, Financial Accounting System\_Accounting Rules or Accounting Principles?, Journal of Economics and Finance, Algeria, Volume 04, Issue 02, 2018, p. 204.**

## 6.7. Principles of the Financial Accounting System:

**Table (02): Basic accounting principles in the financial accounting system.**

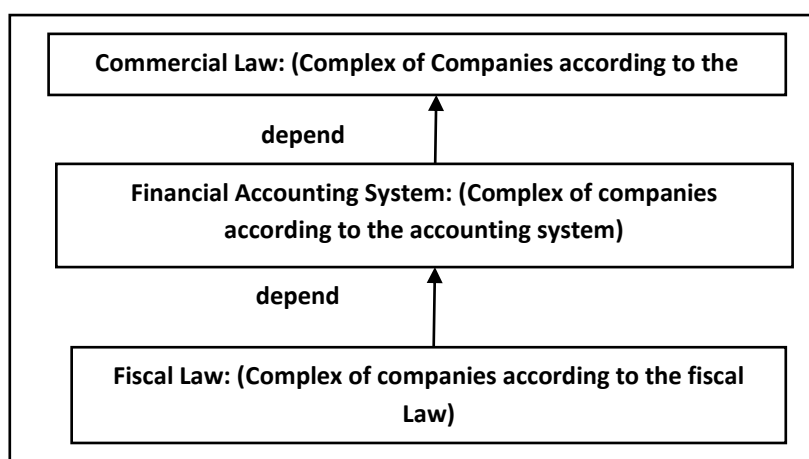
Accounting Principle	A regulatory and legislative source
Non-Clearing	Article 15 of Law 07-11
double entry	Article 16 of Law 07-11
Materiality	Article 11 of Executive Decree 08-156
Fiscal Year Independence	Article 12 of Executive Decree 08-156
Events after the closing date of the fiscal year	Article 11 of Executive Decree 08-156
PRUDENCE	Article 12 of Executive Decree 08-156
The permanence of accounting methods	Article 11 of Executive Decree 08-156
Stability of the opening budget	Article 12 of Executive Decree 08-156
Economic reality takes precedence over legal appearance	Article 16 of Law 07-11 Article 12 of Executive Decree 08-156
Honest Image	Article 12 of Executive Decree 08-156
Linking burdens to products	Paragraph of Decision No. 71 of 26/07/2008

**Source: Mohammed Al-Habib Marhoum, Financial Accounting System\_Accounting Rules or Accounting Principles?, Journal of Economics and Finance, Algeria, Volume 04, Issue 02, 2018, p. 204.**

## 7.7. Legal framework for the corporate Complex in Algeria:

The Complex of companies is formed based on commercial Law, which the accounting and tax complex rely on. The collection depends on accounting, which depends on the Commercial Law.

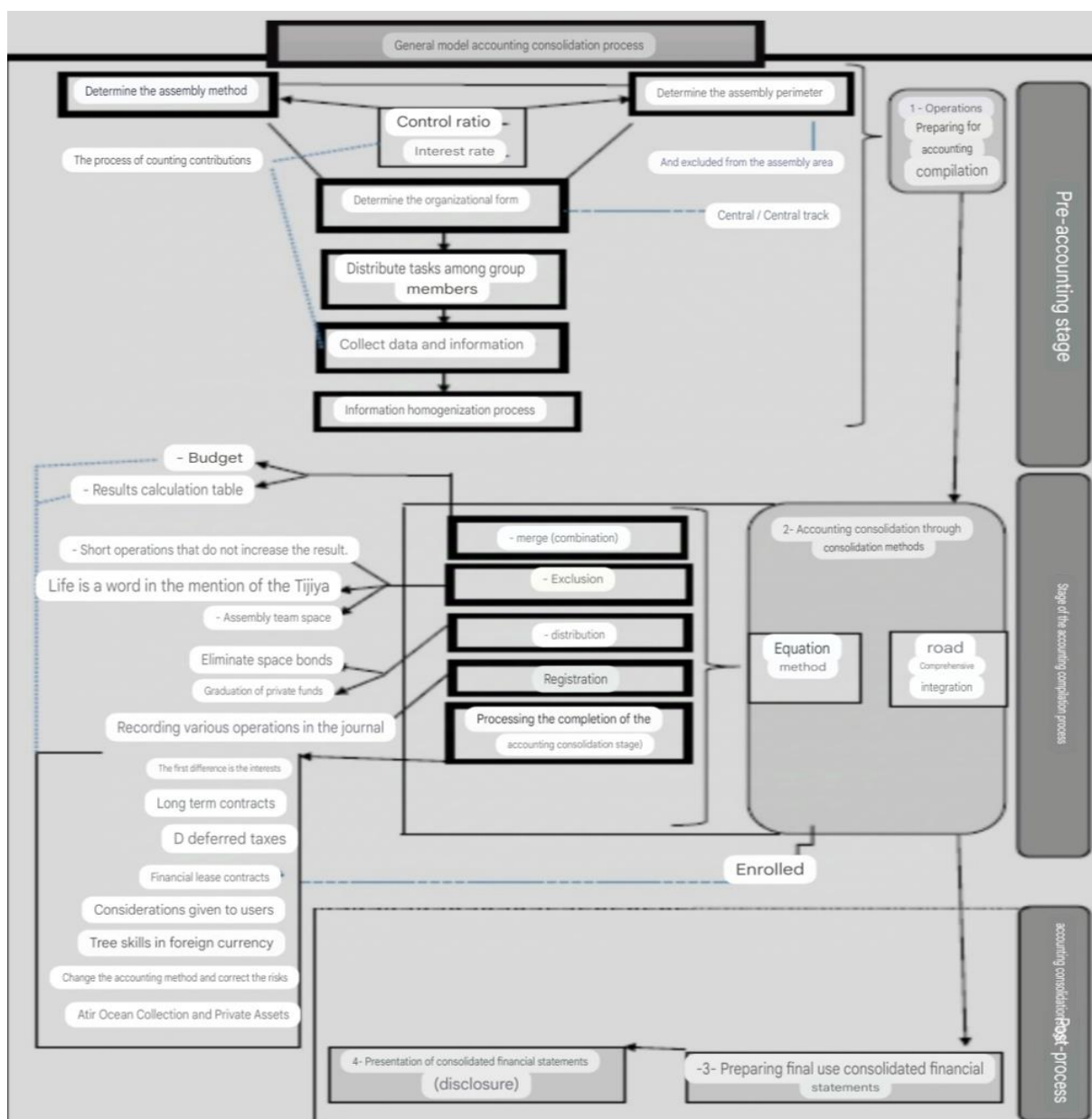
**Figure 1: Levels of laws related to complexes in the Algerian environment**



**Source: Prepared by researchers depending on what has been studied.**

## 8.7. General model of the accounting assembly process:

**Figure 2: General model of the accounting aggregation process**



**Source: Mohammed Al-Habib Marhoum, Financial Accounting System\_Accounting Rules or Accounting Principles?, Journal of Economics and Finance, Algeria, Volume 04, Issue 02, 2018, p. 204.**

## 8. Method and tools :

### 1.8. Studycommunity.

The economic complexes are active in the Algerian territory, to which we will apply the subject of accounting compilation.

### 2.8. Study sample.

In this study, we targeted ENSP, specifically the accounting and assembly operations department, for the following principal reasons:

- Choosing a national company, "ENSP", because national companies are more committed to the legal reference "financial accounting system" than private companies.

- Choosing the Complex of the National Company for Services in Wells ENSP: Firstly, because it is available to apply the content of this study and secondly, because it corresponds to the type of companies that can fall within the scope of the study, which is the Complex of companies.

The Complex's composition is simple, and the study can be conducted within the time allowed.

The presence of companies with almost the same field of activity gives a good picture of the exchange process between branches, which can be studied.

**3.8. Determining the variables of the study and how to measure them:**

Since the case study approach addressed the subject of the study, the study contains two main variables: the independent variable represented by the financial accounting system and the dependent variable represented by the accounting practices for the compilation of accounts so that four criteria measure the two variables and the relationship between them. These criteria express the four assumptions that we assumed initially, respectively, and the criteria were as follows:

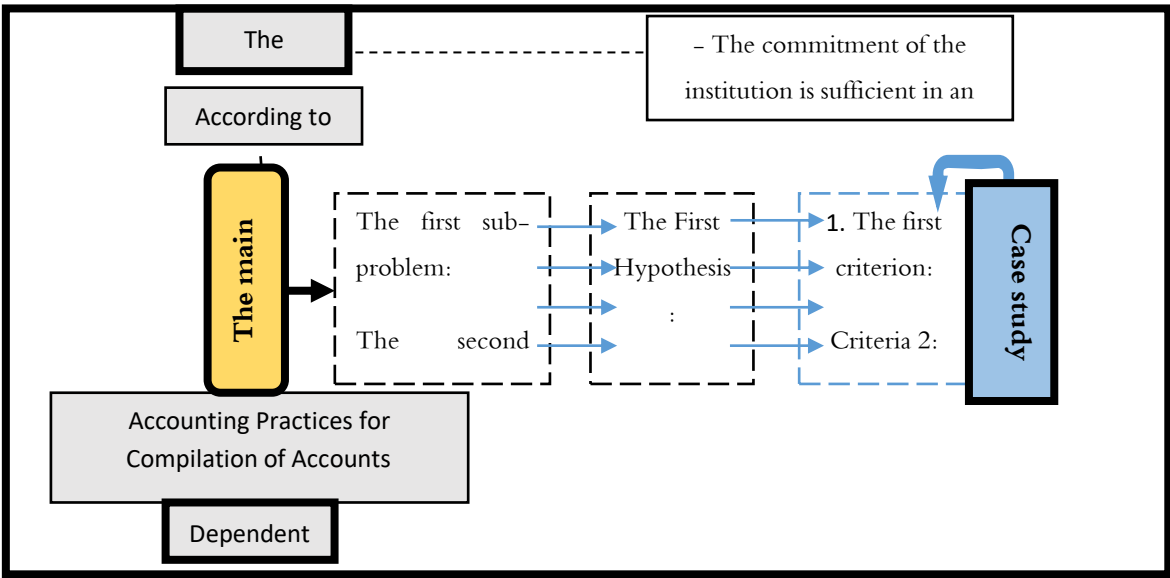
1-A standard for measuring the level of compatibility between the practice of collection methods and the financial accounting system for collection operations.

The 2-A standard for measuring the difficulties in the accounting compilation process (first item: difficulties related to understanding the financial accounting system for accounting compilation/second item: difficulties related to the practice of accounting compilation operations).

The 3-A standard for measuring the impact of differences in accounting practices (accounting policies) between branches on preparing the consolidated financial statements.

4-A standard to measure the extent of control over exchanges between branches and the extent of compliance with the financial accounting system in this regard.

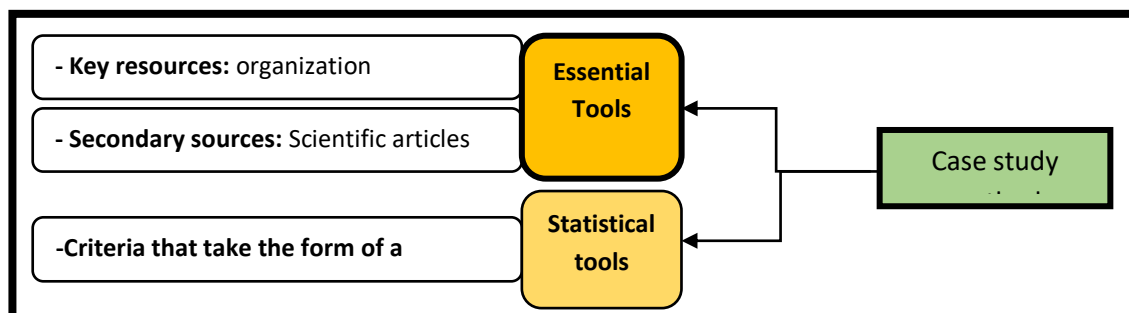
**Figure 03: How to address the study variables.**



Source: Prepared by researchers based on the methodology of scientific research in the study of topics.

#### 4.8. Method of data collection and how to summarize the data:

Figure 04: Tools used in the study.



Source: Prepared by researchers based on the methodology of scientific research in the study of topics.

#### 0 9 Sources of the study

##### 1.9. Primary Sources:

The current study approach was used. We relied on the **institution's documents under study**. We used the information related to the year 2018 due to guidance advice provided to us by the Department of Finance and Accounting employees in charge of the compilation process, in addition to the **reports issued** by them, and so the **interview and observation**. Due to the difficulty of bringing information and this is due to the overlap of the waiting period in a period in which the person in the accounting department is responsible for completing the work necessary to close the fiscal year, and to fill this imbalance, we relied on the criteria that take the form of a questionnaire whose content was used in the interviews to support the answer to the hypotheses, and then we used the criteria to develop a numerical indication to answer the hypotheses.

##### 2.9. Secondary Sources:

Represented by a set of scientific articles that highlighted the practical aspect or how to link the aspect of consideration to the applied aspect and various publications and reports that show the applied aspect on the subject of the study.

##### --I-- — Study Tools:

##### .1.10 Basic Tools:

**(a) Establishment documents:** They are a set of financial statements related to the parent company and its subsidiaries, in addition to reports showing the composition of the Complex and the instructions issued by the Finance and Accounting Department.

**B-Interview and observation:** By addressing the practical aspect within the institution under study in the accounting department that performs the assembly process.

##### 2.10 Statistical Tool:

**A- Measurement criteria (axes) to answer the hypotheses:** We have developed four (04) criteria commensurate with the sub-problems presented in the study and the corresponding hypotheses, which were as follows:

Table (03): Clarify the relationship between the standards and the study variables and link them to the standards.

Parameter Name		items	Paragraphs	Answer fields	Relation to the variable
1-A standard for measuring the level of compatibility between the practice of collection methods and the financial accounting system for collection operations.		1	10 paragraphs	Lycarth Fivfold Ladder	Affiliate /Independent
The 3-A standard for measuring the impact of differences in	First: Difficulties related to understanding the financial accounting system related to the compilation of accounts	2	08 Paragraphs		Independent

accounting practices (accounting policies) between branches on preparing the consolidated financial statements.	Second: Related to accounting practices for compiling accounts		10 paras.		Dependent
3) Standard for measuring the level of difficulties in the accounting compilation process		1	05 Paragraphs		Dependent
4-A standard to measure the extent of control over exchanges between branches and the extent of compliance with the financial accounting system in this regard.		1	10 paragraphs		Affiliate /Independent

Source: Prepared by researchers based on the methodology of scientific research in the study of topics.

**B—Cartesian five-point scale:** This is a statistical scale. The scale's outputs can be used as inputs to statistical programs. It can also be used traditionally, as we will do, which is a simple method.

After answering the paragraphs of the criterion, we present the results scale so that the number of grades is divided into relative categories as the researcher deems appropriate. Accordingly, we determine the answer to the validity of the hypotheses presented in the study.

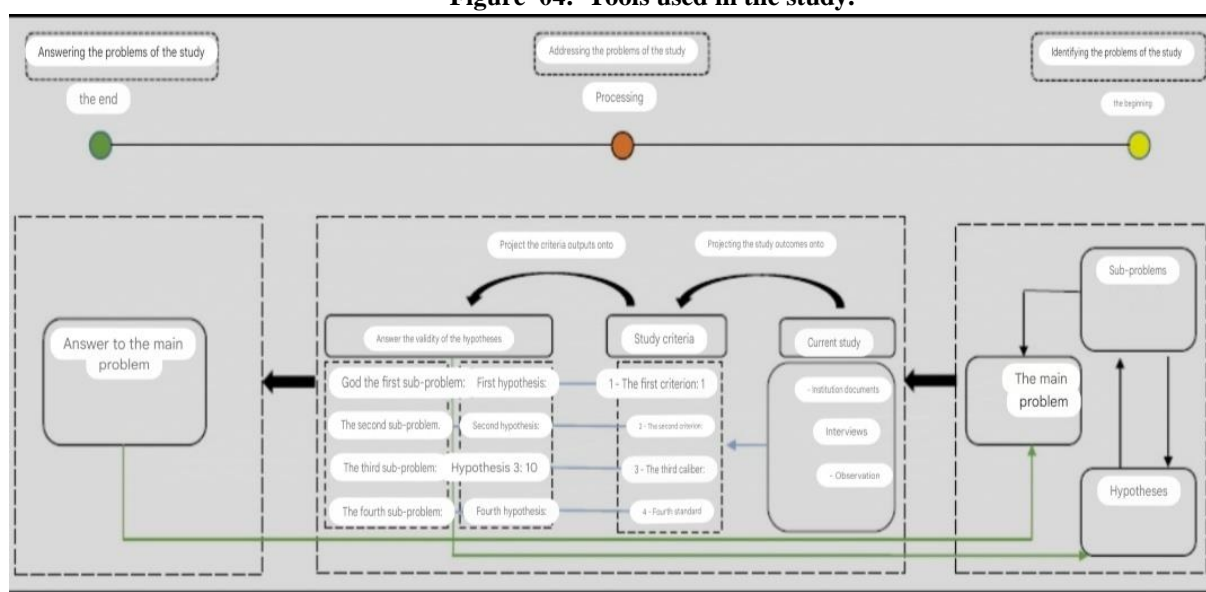
Table (04): Cartesian Pentacle Scale

Answer field	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
Number of marks	5	4	3	2	1

Source: Prepared by researchers based on the methodology of scientific research in the study of topics.

#### 11 . The study problematic treatment model:

Figure 04: Tools used in the study.



Source: Prepared by researchers based on the methodology of scientific research in the study of topics.

#### 12 . Results of the study :

##### 12.1. ENSP Complex Technical Card :

"The National Well Services Corporation (ENSP) was established by Decree No. 81-174 issued on August 1, 1981, regarding the restructuring of the energy sector and the petrochemical industries in Algeria. It is a public economic institution with a legal form represented by an institution with shares, with a capital of 8,000,000,000,00 DZD, to which

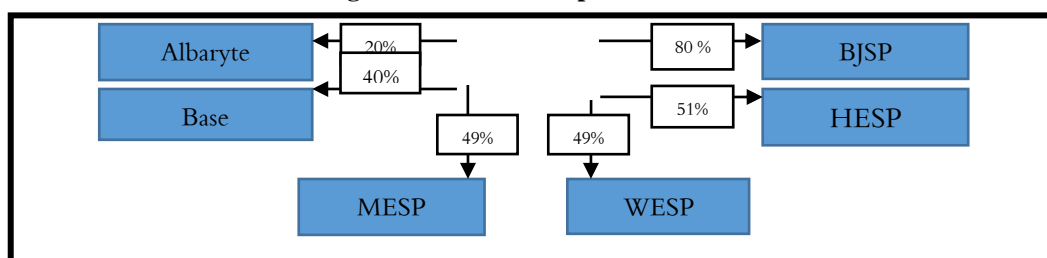
Sonatrach Corporation contributes 100%. It is an oil complex with a significant capital of experience and skill accumulated for more than 30 years in the field of health services, with a population of more than 3,000 workers. The social headquarters of the Corporation is located in the city of Hassi Messaoud Petroleum, Wilaya of Ouargla, P.O. Box 83.

## 2.12 Practical aspect of the study:

In this aspect, we will link the accounting assembly process to the typical chart of the accounting assembly process that we presented in the theoretical part with the practical aspect of the study.

### 2.12 1- Determining the perimeter of the accounting grouping:

Figure 06: ENSP Complex Structure.



Source: Prepared by researchers based on the methodology of scientific research in the study of topics.

Based on the previous chart, which shows all the companies that are financially linked with the parent company ENSP in different proportions, we can identify the companies that enter the assembly environment from others as follows:

Table ( 05 ): Determining the accounting assembly methods for the ENSP complex.

Assembly Mode	Companies involved in the assembly perimeter		Companies Outside the Gathering Perimeter
	Inclusive Integration Method	Compensation method	
Gathering perimeter	ENSP 100%	49% WISP	- There are no affiliate exclusions from the accounting assembly perimeter for ENSP
		49% MES	
	BJSP 80%	Basp 40%	
	51% HESP	ALBARYT 20%	

Source: Prepared by researchers based on the methodology of scientific research in the study of topics.

### 2.12 2-Determining the accounting collection methods:

- Calculating the percentage of control and interest and determining the method of accounting compilation through the following table:

Table( 06 ): Identification of assembly methods in the ENSP complex.

Company Name:	Type of company	Type of Association	Control Ratio	Interest Rate	Interest rate for other companies	Accounting grouping method
ENSP	parent	online	100 %	100 %		Comprehensive Integration
HESP	Subsidiary Company branches of	online	51% Direct and absolute control	51%	49%	Comprehensive Integration
BJSP	Subsidiary Company branches of	online	80 % Direct and absolute control	80 %	20%	Comprehensive Integration
WESP	Subsidiary	online	49%	49%	51%	Equation

	Company Share		Direct control and significant influence			
MESP	Subsidiary Company Share	online	49% Direct control and significant influence	49%	51%	Equation
Basp	Subsidiary Company Share	online	40% Direct control and significant influence	40%	60%	Equation
Albaryte	Subsidiary Company Share	online	20% Direct control and significant influence	20%	80 %	Equation

**Source:** Prepared by researchers based on the methodology of scientific research in the study of topics.

### 2.12 3. Determining the accounting assembly structure:

The ENSP Group prepares the consolidated financial statements according to the direct (central) method of the accounting collection process through the Central Finance Department (Direction et al.) of the Finance and Accounting Department located in the parent company ENSP.

### 2.12 4- Information and Data Collection Stage:

Usually, the parent company closes its subsidiaries' accounts (principle closure), which is not final on 31/12/N, so that all companies send the necessary information to the parent company, specifically to the Financial Center Department, the Finance and Accounting Department of the company in charge of the assembly process. Then, the rest of the information is requested at the final closure to complete the result of the accounts' assembly process.

### 2.12 5- Homogenization phase:

Before the process of accounting compilation comes the stage of homogenization of information. This process remains one of the processes that take significant effort. The reason is the emergence of

differences in the practice of accounting policies between the members of the Complex, which requires the accounting department in charge of the accounting compilation process to standardize these accounting methods or policies according to the accounting policies adopted by the assembled company (the parent company) and the most critical accounting policies that must be homogenized:

- Revaluation difference: Most members of the Group do not adhere to the accounting recording of the valuation difference, while MESP adheres to the accounting system procedures in this regard.

Proof of loss: The accounting recording of the loss in the Value of the installations. Some branches record valuable losses for the installations, while others, such as the parent company, do not record a loss in the Value of the proofs.

- Processing of supplies operations according to the equation:

Present Value = Amount of Benefits Accumulated by Users x Probability of Payment of Benefits to Users x Commitment Creation

### 2.12 6- Settlement procedures between the members of the Complex:

- As for the settlement of mutual business, each subsidiary clarifies in one file all mutual operations represented in (burdens and revenues, debts and rights,...) It is conducted between it and any member of the Group and sent to the combined company to carry out the necessary work during the compilation of accounts. "The settlement procedures are carried out according to the following stages."

- This phase begins with the sending of an instruction by the Director of Accounting and Finance of the Complex relating to the settlement procedures between the branches of the Complex;

- The accounting department of the assigning company sends to the accounting department of the purchasing company a case of convergence related to rights, debts, burdens and outputs in order to request confirmation of the validity of the balances;

- The Purchasing Company shall respond to this request within a period to be determined by the Director of Accounting and Finance to confirm balances and detect errors;

- The assigning company studies the cases of convergence and identifies errors;

After confirming the cases of convergence, the accountants of the Complex's branches meet under the supervision of the Director of Accounting and Finance to address and settle errors and finally sign the approaches between the two parties.

As for the documents used, we find one document related to the settlement of debts alone, one related to the settlement of rights alone, and one related to products alone; see the appendices related to the settlement of mutual operations.

The department in charge of mutual operations exclusion summarizes operations in a document that includes all mutual operations but between every two group members to facilitate their reading, review, or follow-up.

## **2.12 7.Accounting grouping using grouping methods:**

### **2.12 7-1-Forthebudget.**

- The accounting groupings related to the comprehensive integration method shall be between ENSP, HESP and BJSP.

-Identify how accounting aggregates in the ENSP pool:

Comprehensive Budget Integration Method (ENSP; HESP; BJSP) -FullIntegration-	
1) Total items (assets and liabilities) of the budget ENSP, HESP and BJSP:	-This process consists of combining ENSP, HESP, andBJSP budgets( active, passive, CDR)
2) Write-off of Mutual Transactions:	-Since these are internal collective processes, they must be eliminated after being identified and confirmed by both parties
3) Cancellation of combined assets of HESP shares owned by ENSP:	-This means capital and reserves are on the one hand, and the result is on the other for HESP and BJSP between ENSP's and minority shareholders' interests.
4-Cancellation of the combined assets of HESP andBJSP securities owned by ENSP:	Subtract HESP securities held by ENSP at their acquisition value from ENSP assets and equity interest to eliminate them. - Owned by HESP and BJSP, which belong to ENSP. The increase in shareholders' equity over the acquisition value of securities is a capital gain on securities called the "consolidation difference." It is part of the results maintained by HESP and BJSP since their acquisition by ENSP until the day of consolidation.

These steps should be mentioned in the financial accounting system, and it is sufficient to refer to general steps for calculating the consolidated budget comprehensively.

First: Collecting the budget elements for all members.

The stage of integrating all elements highlights the title of the accumulations, which reflects the initial budget. The combined company also relies on the initial individual financial statements of the subsidiaries included in the comprehensive assembly environment (ENSP, HESP, and BJSP) to start the assembly process. After that, the incoming additions are required, the most important of which are the separate taxes related to the companies.

So, after collecting the assets and liabilities of the companies included in the comprehensive integration method, we have the accumulations section. This is after collecting without making any modifications, and this budget is called the initial consolidated budget.

### **Second: Cancellation of Mutual Transactions:**

The subject of writing off mutual operations has divisions, including debts for rights, burdens for products, inventory operations, and joint manufacturing operations. We will present and explain some of the operations.

-Exchanges Reconciliation Summary Table between ENSP and HESP. (Related to Budget Accounts)

No.	Account	Description	Debit	Credit
1	401	ENSP rights in HESP	X	
2	411	ENSP rights in HESP		X
3	401	ENSP debts in	X	

		HESP		
4	411	ENSP debts in HESP		X
Total			X	X

As for the first operation, it expresses that ENSP has rights over HESP, so it is a debt on HESP; as for the second operation, it expresses that ENSP has debts in HESP, then it is rights over HESP; and through this, the accounting department cancels these operations, as this must be justified in the appendices as stipulated in the financial accounting system, see page 16 of the Financial Accounting System issued in the Official Gazette 2009, and this is what it is to work in the institution under study with the rest of the similar operations, stressing that the combined company... It is not obligated to prepare the consolidated financial statements.

The debt reconciliation table between ENSP and BJSP is related to budget accounts.

No.	Account	Description	Debit	Credit
1	401	ENSP Rights in BJSP	X	
2	411	ENSP Rights in BJSP		X
3	401	ENSP debts in BJSP	X	
4	411	ENSP debts in BJSP		X
Total			X	X

If the first operation expresses that ENSP has rights over BJSP, then it is a debt over BJSP; if the second operation expresses that ENSP has debts in BJSP, then it is rights over BJSP.

- Accounting recording of disposal operations (mutual operations): Subsidiaries of the liable companies.

The schedule for cancellation of debts is held on BJSP Subsidiary.

BJSP		ENSP		Description
Amount	Account	Amount	Account	
xxxx	411	xxxx	401	S.N.B.
xxxx		xxxx	Total	
xxxx	411	xxxx	401	dal
xxxx		xxxx	Total	
xxxx	401	xxxx	401	DPE
xxxx		X	Total	
X		X	Total	

The difference between Appendix No. \* \* and Appendix No. \* \* is that Appendix II No. \* \* comprises mutual operations between the ParentParent and the Subsidiary of the Subsidiary. It should be noted that mathematical or accounting errors can occur because there are many operations.

Third: Within the net position of the subsidiaries (HESP and BJSP), a distinction is made between the majority interest, which is ENSP in the capital of the subsidiaries (HESP and BJSP), and the minority interest, which is the rest of the shareholding of the other companies or the rest of the shareholders in the capital of the subsidiaries.

- **How do you calculate majority rights (majority share) and minority rights (minority share)?**

- Distribution of own capital between parent company ENSP in HESP and BJSP:

Total	Migrate again	Result	Combined Reserves	Issued capital	Branches
6 716 831 827,43		594 871 909,79	4 921 959 917,64	1 200 000 000,00	HESP

2 940 355 867,20	1036219547,52-	110 189 747,31	3 439 145 667,41	427 240 000,00	BJSP
3 425 584 231,99		303 384 673,99	2 510 199 558,00	612 000 000,00	ENSP share in HESP
2 352 284 693,76	- 828 975 638,02	88 151 797,85	2 751 316 533,93	341 792 000,00	ENSP share in BJSP
3 291 247 595,44		291 487 235,80	2 411 760 359,64	588 000 000,00	Minority stake in HESP
588 071 173,44	- 207 243 909,50	22 037 949,46	687 829 133,48	85 448 000,00	Minority stake in BJSP
5 777 868 925,75	- 828 975 638,02	391 536 471,84	5 261 516 091,92	953 792 000,00	Total ENSP Share
3 879 318 768,88	- 207 243 909,50	313 525 185,26	3 099 589 493,13	673 448 000,00	Total Minority Share
9 657 187 694,63	-1 036 219 547,52	705 061 657,10	8 361 105 585,05	1 627 240 000,00	Preliminary Total

Of which minority rights, as shown in the previous table, are equal to 3 879 318 768.88.

Branches	Capital	Reserves	Result	Retained earnings	Equation difference	Final Score
ENSP share in HESP	612 000 000,00	2 510 199 558,00	303 384 673,99			3 425 584 231,99
ENSP share in BJSP	341 792 000,00	2 751 316 533,93	88 151 797,85	- 828 975 638,02		2 352 284 693,76
Total ENSP Share	953 792 000,00	5 261 516 091,92	391 536 471,84	- 828 975 638,02		5 777 868 925,75
ENSP Total Share in Equalization Companies			60 872 659,24		463 702 472,24	524 575 131,48
ENSP	8,000 000 000 00	31 623 272 247,73	5 740 453 981,23			45 363 726 228,96
ENSP Total Majority Share	953 792 000,00	36 884 788 339,65	6 192 863 112,31	- 828 975 638,02	463 702 472,24	51 666 170 286,19

Of which minority rights, as shown in the previous table, are equal to 3 879 318 768.88

- How to calculate majority rights:

Total majority share ENSP	51 666 170 286,19
Share capital ENSP in HESP and BJSP	953 792 000,00
ENSP Net Majority Share	50 712 378 286,19
	50 712 378 285,95

Third: Cancelling the Value of Contribution Bonds: This cancellation in

the subsidiaries (HESP and BJSP) from the financial assets of the company ENSP and the cancellation of majority interests on the liabilities side are in exchange for the consolidation difference (the difference between majority interests and contribution bonds), which is recorded as a positive or negative value as liabilities.

WE cancel ENSP's contribution TO HESP and BJSP, as shown in account 26111000, which is shares against bond value.

## 2.12 7-1-2- Accounting compilation of the budget by the method of equation:

- Accounting groupings related to the equivalence method (equity method):

Equalization Method for Budget(ENSP; WESP ;MESP ;Basp ;Albaryte ) -Merging Equity -
We will perform an inequity integration regarding WESP Basp, MESP, and ALBARYTE. In consolidation by equity method, balance sheet items are not aggregated. The first task is arithmetic.
WESP, Basp, MESP, and ALBARYTE's share capital is returned to ENSP, and these shares will replace the acquisition price of the securities on ENSP's balance sheet.
The resulting capital gains are allocated to consolidated reserves and consolidated income. The consolidated balance sheet resulting from this asset replacement includes all items of the consolidated balance sheet ENSP, HESP, and BJSP except for the securities accounts of Basp, WESP, andMESP Albaryte, which will be replaced by the item "securities calculated using the equity method."

**- Formation of the rights of the parent company in the capital for the subsidiaries in the method of equation:**  
This table shows the rights of the parent company in the capital and the amount of its rights in each part of this financial block.

- Table of the composition of the contributions of the parent company in the subsidiaries using the method of equivalence.

Title	WESP	ENSP	Basp	ENSP	MESP	ENSP	ALBAYTE	ENSP	Total
Capital <sup>(1)</sup>	150000000		1024000000.00	409600000.00	300000000	147000000.00	200000000	400000000	596600000.00
Precautions <sup>(2)</sup>	221028482.77	108303956.56	2533613971.02	1013114588.41	148476679.21	72753572.81	0.00	0.00	1194503117.78
Relay <sup>(3)</sup>	276355438.19-	135414164.71-	1756883762.48-	702753504.99-	527805.99	258624.94	3458003.84-	691600.77-	838600645.34-
Practical Outcome <sup>(4)</sup>	<b>94673044.58</b>	<b>27110208.16-</b>	<b>1800730208.54</b>	<b>720292083.42</b>	<b>449004485.20</b>	<b>220012197.75</b>	<b>196541996.16</b>	<b>39308399.23</b>	<b>952502472.24</b>
Total Score for Current Year <sup>(5)</sup>	168293789.29-	82463956.75-	259750937.88	103900375.15	81132934.49	39755137.90	-1594485,24	318897.05-	60872659.25
<b>Total</b>	<b>168293789.29-</b>	<b>82463956.75-</b>	<b>259750937.88</b>	<b>103900375.15</b>	<b>81132934.49</b>	<b>39755137.90</b>	<b>-1594485,24</b>	<b>318897.05-</b>	<b>60872659.25</b>
Total financial position <sup>(6)</sup>	-73620744,71	-109574164,91	2060481146,42	824192458,57	530137419,69	259767335,65	194947510,92	38989502,18	1013375131,49
		-109574164,91		824192458,57		259767335,65		38989502,18	1013375131,49

ENSP Contributions to Equivalency Companies = 596600000.00

In equalization companies = 60872659.25 ENSP Result

Securities using equity method = 1013375131,49

Second: The replacement of ENSP share capital in equalization companies (equity method) in place of the acquisition price of securities ENSP share in equalization companies in the balance sheet of ENSP. That is, it is a replacement process.

The values in the table are total.

Equivalency companies	Private money	ENSP session	ENSP Contribution	ENSP score in formula companies	Equation difference
Total	2 711 945 332.32	1 013 375 131.49	488 800 000,00	60 872 659,24	463 702 472,24

Equation Companies =WESP, Basp, MESP, ALBARYT

Equation difference = ENSP's share in equation companies – ENSP's share in equation companies – ENSP's result in Eq.

- Schedule of Amendment of the Value of Shareholding Bonds:

Account	Description	Debit	Credit
2650000 ENSP	Equivalency Bonds (ENSP Contributions)	1 013 375 131.49	
26220000ENSP	WESP Shareholding Bonds		107 800000,00-
26230000 ENSP	MESP Shareholding Bonds		147 000 000,00
26240000ENSP	BASP Shareholding Bonds		409 600 000,00

26250000 ENSP	Shareholding bonds ALBARYTE		40 000 000,00
10700000 ENSP	Equation difference		463 702 472,24
12000000 ENSP	Share of Result		60 872 659,24
total		1 013 375 131.49	1 013 375 131.49

- Net result of the GroupGroup:

Branches	Result
HESP and BJSP Score	705 061 657,10
ENSP	5 740 453 981,23
Cumulative Grade	6 445 515 638,33
ENSP score in formula companies	60 872 659,24
Combined Score	6 506 388 297.57

After the replacement process: ENSP's share in the equalization companies appears in the assets subject to ENSP's contribution to the equalization companies, while the result of ENSP appears in the equalization companies included in the net result of the GroupGroup on the liabilities side, and the difference of the equation appears in the liabilities, the financial accounting system did not refer to this step in general, but in general and was not detailed, (See the financial accounting system 2009 p. 17); or the accounting practices for the company under study in this part are in line with what the financial accounting system indicated.

- As for the adjustments in the budget, these adjustments have one of the two, either to companies that are comprehensively merged or to companies that are subject to the method of equivalence, and each Value move on the asset side is followed by a value change on the liability side and vice versa.

= It is noted that there are three general levels in which the consolidated budget appears, and we can call these budgets the following labels:

- 1) The first budget is called the initial consolidated budget, a raw consolidated budget on which no value adjustment has been exercised.
- 2) The second budget is called the consolidated budget: It is a consolidated budget through which the ad valorem adjustments to the initial consolidated budget are highlighted, and several unique details highlight the Value of the group members of the two categories.
- 3) The third budget is called the consolidated budget summarized. Its net values are derived from the last values in the detailed consolidated budget.

## 2.12 7-2-For the calculation of the results.

### 2.12 7-2-1- Accounting compilation to calculate the results using the comprehensive integration method.

Inclusive Integration Method for Calculating Results(ENSP ;HESP ;BJSP) -FullIntegration-
1. Collect income statement items.
2. After identifying and confirming the parties, expenses and income resulting from the mutual operations between ENSP, HESP, and BJSP will be cancelled.
3. Divide the combined score between the increased ENSP score and its share in the HESP & BJSP score.
4. Determination of minority rights: the share of other HESP and BJSP shareholders in the consolidated result.

The alert finds that the process of collecting assets and liabilities is for companies that fall under the cover of the comprehensive integration method, as it crosses the previous table on the calculation of the initial comprehensive results without adjusting the balance of the amounts we collected.

-Exchanges Reconciliation Summary Table between ENSP and HESP. (related to results calculations)

No.	Account	Description	Debit	Credit
1	70	ENSP Revenue in HESP	X	
2	xxxx611	ENSP Revenue in HESP		X
3	.622* *	ENSP Revenue in HESP		xxxx
4	xxxx758	ENSP burdens in HESP	xxxx	
5	62	ENSP burdens in HESP		X
Total			X	X

The first operation expresses that ENSP has revenues on HESP, and then it burdens on HESP; the second operation expresses that ENSP has burdens on HESP, and then it is revenues on HESP.

-Exchange Reconciliation Summary Table between ENSP and BJSP. (related to results calculations)

No.	Account	Description	Debit	Credit
1	708	ENSP Revenue in BJSP	X	
2	6 - 24	ENSP Revenue in BJSP		X
3	.706* *	BJSP ENSP Encumbrances	X	
4	6 - 24	BJSP ENSP Encumbrances		X
Total			X	X

The first operation expresses that ENSP has revenues on HESP, and then it burdens on HESP; the second operation expresses that ENSP has burdens on HESP, and then it is revenues on HESP.

Other operations related to profit margins and joint industrial production operations exist. However, the financial accounting system only mentioned the exclusion of operations with a problem in literal translation, as is known.

Third: Combined Result Section:

Income Type	Amount
Net income for the year	6 445 515 638,33
Share in net results of associates	60 872 659,25
Consolidated Sticky Income	6 506 388 297.58

This income related to companies is divided within the framework of the comprehensive integration method ENSP, HESP and BJSP. The aim is to show the parent company's rights, which are the so-called majority rights. The aim is to add the amount of majority result rights to the result of ENSP in the equation companies so that the amount obtained is the net result of the GroupGroup that will appear in the results calculation table for the summary.

Fourth: Minority Rights:

Income Type	Amount
Net income for the year	6 445 515 638,33
Share in net results of associates	60 872 659,25
Consolidated Sticky Income	6 506 388 297.58
Minority Jissa	313 525 185,26
Group Share	6 192 863 112.31

Minority rights are highlighted from the result in the results calculation table to obtain the net result of the GroupGroup expressed in the Group's share; the financial accounting system indicated the need to highlight the minority interest under a particular heading in private capital and the net results of the combined GroupGroup.

## 2.12 7-2-2- Accounting compilation to calculate the results by the equation method.

Equation Method for Calculating Results(ENSP; WESP ;MESP ;Basp ;Albaryte) -Merge Equity--
The absence of the total expense and income items means that the only expense and income accounts that appear on the consolidated income statement are those of ENSP, HESP, and BJSP. Only one item is opened: "Share in corporate results calculated using the equity method," as ENSP's share is included in the results of base and Albaryte.

For the aggregate results calculation table, three tables can be named as follows:

**Table 1:** The preliminary consolidated results calculation table highlights the accumulated amounts from the collection of results accounts for companies involved in the comprehensive integration method.

**The second table** is the detailed consolidated results calculation table, in which the amendments to the accumulations are highlighted. These amendments relate to the companies involved in the comprehensive integration and equation methods.

**-The third table,** The summary aggregate results calculation table, is a net final table.

### Discuss the results of the study.

In this requirement, we will address the hypotheses to discuss them through the outputs of the case study presented above and the tools that have been worked on, which led to giving information that has been dropped on a set of criteria. These criteria for each criterion correspond to a hypothesis; the answer to the hypothesis's validity is through the criterion's results, which is a ladder of grades, then commented on. This requirement will be summarised by linking the hypotheses to the case study results.

### 1.13. The first hypothesis of the study:

**1.1.13—Presentation of the first hypothesis:** The ENSP complex is highly familiar with the compilation methods for compiling the financial statements and determining the compilation perimeter, and the content of the compilation methods and principles is relatively consistent with what is stated in the financial accounting system.

**2.1.13- Standard for measuring the first hypothesis:** A standard for measuring the level of compatibility between the practice of collection methods and the financial accounting system for assembly operations.

**Table 06: The first criterion for measuring the validity of the first hypothesis of the study**

No.	Text /Paragraph	Assessment				
		Strongly agree	Agree	Neutral	Disagree	Strongly disagree
1	Standardizing accounting methods stipulated in the financial accounting system is critical for the accounting aggregation process.		×			
2	The parent company discloses the profits and losses related to its shares in the subsidiaries during the reporting period.	×				
3	Recognition in the consolidated financial statements of profits and losses resulting from a change in the percentage of ownership and separately from the equity of the owners of the parent company		×			
4	Addressing the merger difference as stipulated in the financial accounting system			×		
5	The parent company discloses the voting rights held by non-controlling interests if they differ from the percentage of ownership interests held.	×				
6	Determine the perimeter of the accounting grouping of the	×				

	Group using the financial accounting system.					
7	The profits of the subsidiaries are distributed between the parent company and the subsidiaries through the percentage of ownership of the parent company of the subsidiary.	×				
8	The financial accounting system arranges financial information in a way that genuinely reflects financial events and operations.			×		
9	The parent company discloses information that enables users of the consolidated financial statements to assess the nature and extent of significant restrictions that limit its ability to access or use the Group's assets and settle its liabilities.			×		
10	The parent company prepares the consolidated financial statements to disclose all necessary (binding) information to the users of the accounting information stipulated in the financial accounting system, including information that enables them to understand the Group's composition.			×		
OVERALL CREDIT RATING		40				

### 1.13. 3-Interpretation of results:

Total Scores	suspension
10-24	The level of compatibility between ASM practice and is poor
25, 39	Compatibility level between ASM practice and Medium Compatibility
40-50	The level of compatibility between ASM practice and is poor

### 1.13. 4. Discussion of the first hypothesis:

Through the result obtained from the criterion of measuring the level of compatibility between the practice of collection methods and the financial accounting system for collection operations, which resulted in (total score = 40), there is a high or strong compatibility closer to the average in the application of methods and methods of accounting collection as stipulated by the financial accounting system, and from this we prove the validity of the hypothesis presented in the study.

### 2.13. The second hypothesis of the study:

#### 2.13. 1-Presentation of the second hypothesis:

The unavailability of all accounting practice requirements related to the account consolidation process is due to the difficulty in addressing some related topics and the complexities of the consolidation process that the financial accounting system still needs to address in its treatment. This necessitates referring to international standards (IAS/IFRS) and differences in the application of accounting policies between the Group's branches.

#### 2.13. 2- The criterion for measuring the second hypothesis:

A standard for measuring the difficulties in the accounting collection process according to the financial accounting system.

#### 2.13 .2-1-The first item:

Difficulties related to understanding the financial accounting system for accounting aggregation

**Table 06: The first item of the second criterion to measure the validity of the study's second hypothesis.**

No.	Text /Paragraph	Assessment				
		Strongly agree	Agree	Neutral	Disagree	Strongly disagree
1	The absence of approved interpretations by national accounting professional organizations of the conceptual framework of the Algerian financial accounting system leaves room for a lack of good understanding of the concepts related to the compilation of financial statements.		×			
2	Achieving the quality of the aggregated accounting information requires reforms in the financial accounting system's texts, especially those related to the consolidation system of the entities' consolidated accounts.	×				
3	Commercial law texts related to pools make understanding the financial accounting system's role in consolidating accounts more challenging.		×			
4	It is difficult to understand the identification of the assembly perimeter because of the difference in accounting practice in the financial accounting system and the texts of the Commercial Law (the assembly perimeter in Algeria is characterized by differences between the financial and commercial accounting system, and this hinders the preparation of high-quality consolidated financial statements)		×			
5	Failure of the financial accounting system to respond to international variables in the accounting field would affect the accounting practices of the aggregation process.				×	
6	Difficulty understanding the accounting policies stipulated in the financial accounting system				×	
7	The financial accounting system can contribute to understanding the accounting aggregation processes and solve practical problems.			×		
8	The financial accounting system contributes to dismantling the difficulties of accounting practices for compiling accounts.					×
OVERALL CREDIT RATING		25				

### 2.13.2.1 Interpretation of results:

Total Scores	suspension
8-18	Shows difficulty in understanding the SCF system at a low level
19-31	Shows difficulty in understanding the system SCF at an intermediate level
32-40	Shows difficulty in understanding the SCF system at a low level

### 2.13.2-1--2 Discussion of the first item:

Through the result obtained in the standard of difficulties in its first item (difficulties related to understanding the financial accounting system), so that the result of the item (total scores = 25), it is noted that there is an average level in the difficulties related to understanding the financial accounting system, the part related to accounting compilation.

### 2.13.2-2-The second item:

Difficulties related to the practice of accounting aggregations

### 2.13. The second hypothesis of the study:

**Table 07: The second item of the second criterion to measure the validity of the second hypothesis of the study**

No.	Text /Paragraph	Assessment				
		Stron gly agree	Agr ee	N eu tr al	Disag ree	Strongly disagree
1	Difficulty in unifying accounting policies between branches	×				
2	Difficulty with budget clustering		×			
3	Difficulty of aggregation process related to calculation of results		×			
4	Difficulty in counting contributions				×	
5	Expanding enterprise activity makes it more challenging to compile accounts.	×				
6	Differences in accounting practices between members of the GroupGroup increase the difficulties of the accounting aggregation process.		×			
7	Deficiencies in the accounting system need help in processing the consolidated financial statements.					×
8	Difficulty trying to use fair Value, revaluing asset items periodically		×			
9	Difficulty in processing the processes exchanged between the members of the			×		
10	The complexity of inter-branch exchanges affects the preparation of consolidated financial statements.		×			
OVERALL CREDIT RATING		36				

#### 2.13.2.1 Interpretation of results:

Total Scores	suspension
10 - 20	Shows difficulty in practising the process of accounting compilation at a low level
21-39	Shows difficulty in practising the process of accounting aggregation at an intermediate level
40-50	Shows difficulty in practising the process of accounting compilation at a low level

#### 2.13.2.2Discussionof the second item:

Through the result obtained in the difficulty criterion in the second item entitled Difficulties related to the practice of accounting assembly operations, so that the result of the item (total scores = 36), it is noted that there is an average level in the difficulties related to the practice of assembly operations that is close to being of great difficulty.

#### 2.13.2-2--3 Interpreting the overall result of the second hypothesis criterion:

Total Scores	suspension
18-30	There are difficulties at a low level
31-59	Difficulties at an intermediate level
60-90	There are difficulties at a high level

#### 2.13.2-2--4 Discussion of the second hypothesis:

The result obtained is a standard to measure the difficulties in the accounting compilation process. It includes two items, so the total score when adding the two items was 61 degrees, which puts the situation in a situation with a high difficulty level close to the average level. Linking this result to the hypothesis proves the validity of the second hypothesis we presented in this study.

A moderate difficulty level indicates a lack of requirements for accounting practices related to the accounting aggregation process.

### 3.13. The third hypothesis of the study:

#### 3.13. 1-Presentation of the third hypothesis:

The difference in accounting practice between branches affects the consolidated financial statements by causing the loss of some financial information.

#### 3.13 2-Standard for Measurement of the Third Hypothesis

A standard for measuring the impact of differences in accounting practices (accounting policies) between branches on preparing consolidated financial statements.

**Table 08: The third criterion for measuring the validity of the third hypothesis of the study.**

No.	Text /Paragraph	Assessment				
		Strongly agree	Agree	Neutral	Disagree	Strongly disagree
1	Standardizing the method of evaluating inventories gives more flexible and credible consolidated lists.		×			
2	Standardization of methods of depreciation and valuation of installations is an essential element in preparing consolidated financial statements.	×				
3	Consolidating accounting policies between ParentParent and subsidiaries positively helps increase the reliability and appropriateness of accounting information.			×		
4	Standardizing accounting measurement methods in evaluating an organization's assets gives better credibility to the quality of the accounting information collected.	×				
5	Unifying the accounting method in valuing assets significantly improves the quality of accounting information through comparison and appropriateness.		×			
OVERALL CREDIT RATING		21				

#### 3.13 3. Interpretation of results:

Total Scores	suspension
5-10	Differences have little impact on the numbers of consolidated financial statements
11 -20	Differences have little impact on the numbers of consolidated financial statements
21-25	Differences have little impact on the numbers of consolidated financial statements.

#### 3.13 4. Discussion of the third hypothesis:

Through the results obtained in the measurement standard of the impact of accounting differences (accounting policies) between branches on the preparation of the consolidated financial statements, the result (total score = 21) is noted that the existence of many accounting differences between branches significantly affects the preparation of the consolidated financial statements, this impact in terms of professional practice, that is, the period related to the compilation or the validity of some of the final information contained in the consolidated financial statements.

#### 4.13. The fourth hypothesis of the study:

##### 4.13. 1-Presentation of the fourth hypothesis:

The ENSP group's familiarity with accounting practices related to the consolidation process associated with determining inter-branch transactions varies. Due to the high volume of exchanges, the ENSP group is relatively committed to adhering to the requirements of the financial accounting system in excluding inter-branch transactions.

##### 4.13 2- Criteria for measuring the fourth hypothesis:

4-A standard to measure the extent of control over exchanges between branches and the extent of compliance with the financial accounting system in this regard.

**Table 09: The fourth criterion for measuring the validity of the fourth hypothesis of the study.**

No.	Text /Paragraph	Assessment				
		Very Good	Good	Medium	Weak	very weak
1	Ease of tracking inter-branch exchanges that relate to the surplus Value of the assignment of fixed assets			×		
2	Ease of tracking inter-branch exchanges related to depreciation.				×	
3	Ease of tracking exchanges between branches related to violations					×
4	Ease of tracking inter-branch exchanges related to depreciation.			×		
5	Ease of tracking exchanges between branches related to violations			×		
6	Ease of tracking the exchanges between branches that relate to the result and what relates to profits		×			
7	Ease of tracking inter-branch exchanges related to deferred taxes					×
8	Easy tracking of exchanges between branches related to expenses and revenues				×	
9	Ease of tracking inter-branch exchanges related to the purchase and sale of inventory				×	
10	Ease of tracking exchanges between branches related to violations			×		
OVERALL CREDIT RATING		24				

##### 4.13 3-Interpretation of results:

Total Scores	suspension
10 - 20	Poor control of inter-branch exchanges
21-39	Medium control of inter-branch exchanges
40-50	Poor control of inter-branch exchanges

##### 4.13. 4. Discussion of the fourth hypothesis:

The results obtained in this criterion appear as a result of a score of 24, which shows that there is moderate control over the exchange processes between branches. The hypothesis only explicitly confirms this if the study's fourth hypothesis assumes difficulties in determining the exchange processes. As for the case study, there is also a remarkable convergence in the level of control in determining the exchange processes between branches. As for the approval of the accounting system in this regard, the practices of excluding mutual operations are consistent with them.

##### 14. Presentation of the main problem:

How familiar is the ENSP with accounting practices related to preparing accounts according to the financial accounting system?

##### 15. Interpreting the results to answer the main problem:

Total Scores	suspension
43.100	The level of familiarity in the ENSP complex with accounting practices by compiling accounts according to SCF is low

101-169	Level of familiarity in the ENSP complex with accounting practices by compiling accounts according to SCF intermediate-level
170-215	The level of familiarity in the ENSP complex with accounting practices by compiling accounts according to SCF is low

## 16. Discussion of the result of the total scores:

After presenting the previous hypotheses, we obtained a numerical indication to discuss the hypotheses presented in the study. The numerical significance of the hypotheses was as follows:

\*The first hypothesis = 40.

\*Hypothesis 2= 61.

\*Hypothesis 3= 21.

\*Hypothesis 4= 24.

Of this, the total numerical significance of the hypotheses is 146, and this degree is limited to between [101 and 169], which indicates the level of familiarity of the ENSP with accounting practices by compiling accounts according to SCF at an average level according to the study.

## 17. Conclusion :

Through the topic of our research entitled "Evaluation of accounting practices for the compilation of accounts according to the financial accounting system", and by presenting the main problem described, how much control does ENSP have over accounting practices for the compilation of accounts according to the financial accounting system?, and by dividing it into a set of sub-problems

that were presented in the introduction to the research, we developed hypotheses for each hypothesis in proportion to its problems, and we chose the National Well Services Corporation, as it is in terms of the subject of the study that corresponds to it, it is an appropriate subject to study the subject, and according to a method used in the study, which is the case study approach and with different tools that were addressed in the chapter of the field study, and then we conclude this study with a set of conclusions related to the study, and present some recommendations, in addition to the prospects of the general subject of the study.

### 1.17-Results of the study:

The National Well Services Corporation prepares the consolidated financial statements for internal purposes. The managers use this vital material to make the necessary decisions within the GroupGroup. The reason is that the ENSP complex is within the petroleum sector, which is neutralized by tax law to benefit from tax privileges. Preparing the consolidated financial statements is not mandatory, but it is an internal goal that may have investment strategy dimensions.

- Presenting the financial accounting system, the subject of the consolidated financial statements, in an overall state or in a manner that needs to be clarified in some parts, such as addressing the differences between the accounting policies of the branches of the Complex or the multiple accounting procedures.
- About the process of accounting compilation within the Complex under study, this process is one of the most critical topics that take great attention, namely the difference in

Accounting policies, how to homogenize operations, the treatment of accounting estimates and errors, and the treatment of mutual operations between branches (members of the Complex).

- About concepts related to accounting practices within the Complex under study in general:

\* The practices become more complex as the concepts are used more frequently. Fair Value is one valuation method that the institution may use to value assets, and another method is used to value inventory, which may cause an uncontrolled problem for the person in charge of the assembly process.

\* Accounting compilation methods: In general, they are considered in terms of the level of difficulty above the average, as the compilation process is linked to an approach followed by the financial accounting system, which we indicated dealt with the subject of accounting compilation in general, which may put the supervisor on the preparation of the consolidated financial statements in a problematic position in addition to the technical difficulties of the compilation process.

\* Inter-branch exchanges: The more the activity of the members of the GroupGroup is not in the same pieces on the one hand and the other hand, the greater the number of members of the GroupGroup and the large number of exchanges on the other hand, the more complex the exchanges are, the more difficult it is to address to ensure the relative validity of the outputs presented in the combined accounts presented to the category used for them. For the institution under study, you find that tracking mutual operations, in general, is an average level of difficulty. Regarding the financial accounting system, this process still needs to be clarified, which indicates that processing the exchange process, at least in this case, is a known professional process that is legally understood.

\* As for the treatment of deferred taxes, it is known that the deferred tax processor is part of the compulsory practices of the preparers of the financial and consolidated statements, and from it, its treatment in the institution under study remains a kind of difficulty, especially since the institution under study is not subject to the tax rules that allow it to benefit from the tax privileges, and is not required to present the consolidated financial statements. The financial accounting system clarified the subject of deferred taxes in the collection case, but the researchers could not professionally limit the subject of deferred taxes.

\* The existence of accounting errors in the assembly process may be due to the volume of accounting work, the difficulty of adjusting accounting concepts, the multiplicity of accounting methods and the multiplicity of measurement tools.

\*As for the valuation of assets, there is a problem with valuing assets and showing them in the balance sheet, perhaps due to the non-obligatory presentation of financial statements, and it is noticeable that the financial accounting system needs to be adhered to in this regard.

- Some previous studies pointed to the need to activate the stock exchange. At the same time, the subject of accounting compilation for the inch is a collection of the rules and legal texts that are adjusted in their multiple angles (commercial, fiscal, accounting) in terms of narrowing the scope and expanding the narrowness in proportion to the existing forms, from the contradictions and difficulty of understanding or leaving the field open to those who are related to the matter, on the one hand. On the other hand, the nature of the Algerian business environment must provide conditions to achieve the desired effectiveness. Those conditions are confirmed by professional credibility, especially in accounting.

- There is a gap between accounting practices and work under the financial accounting system, which the researchers believe is due to the need for more legal obligation in preparing the consolidated financial statements.

## **2.17 -Recommendations:**

We have pointed out that the financial accounting system presents the subject of the consolidated financial statements in an overall state. It is necessary to present some important details, and it is essential to consult and respond to the international accounting standards, especially IFRS 10 and IFRS 11. For the financial accounting system, it is essential to re-establish additions to it related to the international accounting standards, especially those that came after 2013, and can be in stages in a pre-planned manner, with the involvement of independent accounting bodies outside the government sector; the correct reconnection of commercial and fiscal Law and the financial accounting system, and the removal of severe discrepancies that the academic, professional or legal reader finds.

A comprehensive systematic approach can be adopted. There needs to be a known gap in accounting practices when composing accounts, limited between the academic, professional, and legal aspects, with three dimensions (Qtari et al.). This gap requires a profound effort to analyze and give the necessary solutions in this section.

## **18. Appendices :**

Include here data and information that is not necessary to be included within the text, which provides essential explanatory information to understand the article; information that can be included in the appendices, for example, raw data; questionnaires; graphs, tables and charts (font used in tables and figures of the Traditional Arabic type, size 12, the dimension between lines 0.88).

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## **19. Referrals and References :**

<sup>1</sup> - Tayeb Madani, **The problem of preparing the consolidated financial statements for the institutions of the petroleum sector in light of the multiplicity of measurement alternatives and the diversity of accounting policies**, PhD thesis, Qasdi Merbah University, Ouargla, Algeria, 2021.

<sup>2</sup> - Rafik Azzi, **Complex accounting according to the financial accounting system in Algeria, a theoretical study supported by application examples**, Journal of Legal and Economic Studies, Algeria, Volume 04, Issue 03, 2021.

<sup>3</sup> - Nachemia Yasmine, Nuaiji Abdel Karim, **The credibility and transparency of the consolidated financial statements of the corporate Complex by the financial accounting system in Algeria**, Al-Bashaer Economic Journal, Algeria, Volume 6, Issue 2, 2020.

<sup>4</sup> - Khamloul Mohamed Belkaid, Ahmed Kayed Noureddine, **The Role of the Importance of Preparing and Presenting Combined Financial Statements by the Requirements of International Financial Reporting Standards A Comparative Study with Algerian Legislative and Accounting Texts**, Afaq Science Journal, Biskra University, Algeria, Volume 05, Issue 18, 2020.

<sup>5</sup> - Zeinab Bougazi, **Unification of budget accounts according to the financial accounting system and their compatibility with international standards**, PhD thesis, Ferhat Abbas Sétif University 1, Algeria, 2017.

<sup>6</sup> - BOUFASSA Amina, Yala Zahra, **La consolidation des comptes selon le SCF et le référentiel international IFRS**, diplôme de master, ECOLE supérieure DE Commerce, Algérie, 2016.

<sup>7</sup> - François Meyssonier, Frédéric Pourtier, **CONTRÔLE DU PÉRIMÈTRE ET PÉRIMÈTRE DE CONTRÔLE € "Réflexion sur LE Système D'Information compact des groupes**, Association Francophone de Comptabilité –C A I R N. I N D O-, Tome 19, Le nombre 3/2013, 2013.

<sup>8</sup> - Tayeb Madani, **The problem of preparing the consolidated financial statements for the institutions of the petroleum sector in light of the multiplicity of measurement alternatives and the diversity of accounting policies**, PhD thesis, Qasdi Merbah University, Ouargla, Algeria, 2021.

<sup>9</sup>Ibid., p. 497.