FACTORS THAT BESET CORPORATE ACCOUNTING IN WEST AND CENTRAL AFRICA : OHADA AND BEYOND

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ABSTRACT

For financial statements to be useful, they must be accurate. Unfortunately, these reports often depend on subjective judgments, offer misleading comparisons and fall prey to manipulation due to misaligned incentives. Even the best accounting system cannot overcome a flawed financial reporting process. This study has as its main objective to examine the challenges associated to corporate accounting in West and Central African states. The attainment of this objective was guided by the Doctrinal Research methodology consisting of an analysis of primary and secondary data. Primary Data consist principally of OHADA Business Law and other accompanying legislations while secondary data is obtained from books and the internet. Our research outcome is to the effect that, despite the mechanisms put in place to ensure proper corporate accounting there are still a couple of problems plaguing corporate accounting. We however recommend that, Auditors should not readily accept accounting statements from the management of audited companies without questioning them, or testing the veracity of their accuracy.

Keywords: Beset, Corporate Accounting, Central and West Africa, OHADA.

GENERAL INTRODUCTION

Background to the study

Corporate accounting has a pertinent place in company life. It takes place throughout a companies life from the creation, functioning, transformation and even at dissolution.[i] Not only is it necessary for companies in west and central Africa, it is compulsory for companies whose registered capital exceed certain thresholds and also for companies who sell their shares in the

stock exchange markets. According to **Sherman David**[ii] and **Young David**,[iii] in a perfect world, investors, board members and executives would have full confidence in companies' financial statements.[iv] They could rely them to make intelligent estimates of future cash flows and to judge whether the resulting estimate of value was fairly represented in the current stock price and they could make wise decisions about whether to invest in or acquire a company; thus promoting the efficient allocation of capital.

Unfortunately, this is not what happens in the real world for several reasons. First, a company's financial statements necessarily depend on estimates and judgment calls that can be widely incorrect, even when made in good faith. Secondly, financial disclosure standards intended to enable comparisons between companies may not be the most accurate way to judge the value of any particular company.[v] This is especially the case for innovative companies in fast-moving economy like OHADA where IFRS are applied alongside OHADA accounting standards. Finally, managers and executives routinely encounter strong incentives to deliberately inject error into financial statements.[vi]

A handful of reforms have been made to improve the disclosure situation, but this does not seem to help as commercial companies who always find ways to exploit the system. Increased technology has also been a problem due to the fact that the traditional accounting methods are gradually being abandoned.[vii] These methods were beset by a couple of shortcomings. There has always been a problem of changing the lukewarm attitude of companies towards financial disclosure.

LITERATURE REVIEW

Tehmina Khan[viii]Postulates that despite the difficulties companies face with the use of the internet and computers for financial disclosure, technology still remains an improvement to accounting. To him, internet disclosure reduces manual intervention which is sometimes stressful and costly. It also reduces other ills associated with financial disclosure such as errors and mistakes. This work is very instrumental in the development of our research especially when we are looking at the encumbrances faced in financial disclosure of commercial companies in West and Central Africa. To solve this issue, we decided to make recommendations relating to internet financial disclosure which **Tehmina Khan** did not bother to make. We proposed that, the old system of keeping ledgers and accounting books[ix] should

be abandoned and more computerized accounting means should be used to suit contemporary society. This is what makes our work different from his.

According to **Hope**[x] there has not been a corresponding trend in the enforcement of accounting standards internationally. He further explains that, international accounting standards which are a standardized and unique means of financial reporting adopted by the International Accounting Standard Board are applied differently in different countries. Some countries even make reservations and chose which standards to adopt and other to abandon. This has been explained in this work as one of the principal problems affecting corporate accounting in West and Central Africa, Hence contributing greatly to the attainment of our intended objectives. However, this work also proposes that, reconciliation should be made between International Financial Reporting Standards and other National and Regional Standards. The work also points out that, International Financial Reporting Standards are developed by nations which giant economies with big multi-national companies and these standards are not well suited in Central and West African countries with growing economies.

RESEARCH METHODOLOGY

The Methodology employed in carrying out this work is doctrinal in nature. The work analyses data obtained from primary and secondary sources. The primary sources of data include statutes and regulations. Books and the internet were credible to constitute our secondary data sources

This method was chosen because it is highly reliable and verifiable in terms of Legal research. Is also provides and expansion and an insight of obtained results.

1.1. Problems Associated to Corporate Accounting in Central and West African States

Some of the problems associated with corporate accounting in central and west African states includes: universal standards, unofficial earnings measures, growth in information technology, fraud and concealment, errors, high cost of financial reporting, information issues of financial disclosure, manipulation, too much disclosure and high tax liability.

1.1.1. Universal Standards

As the accounting and financial reporting world grows, companies start finding more efficient ways to improve their disclosure and reporting. This gives birth to the quest for an international standard that could be used by all. Sub-regions also saw the need for same and this was the case with OHADA. As discussed above, the specifications of GAAP which is the standard adopted by the U.S Securities and Exchange Commission (SEC)[xi] includes definitions of concepts and principles as well as specific rules relating to commercial companies. The purpose of GAAP is to ensure that financial reporting is transparent and consistent from one organization to another.

Meanwhile in Europe by 2005, all public companies in the European Union had in theory abandoned their local accounting standards in favor of IFRS. Central and west African states have been applying the OHADA accounting standards .OHADA has adopted the IFRS standards of financial disclosure. In fact, either standard can be used by companies in central and west African despite the differences that exist within them. According to **Hope**[xii] there has not been a corresponding trend in the enforcement of accounting standards internationally.

We must look at the problems that might arise for failing to reconcile the IFRS rules and the OHADA accounting rules. Competitors will, in many cases, continue to require comparison of financial statements under two distinct accounting regimes. In each case, one company uses OHADA rules and the other uses IFRS. The impact on results that would arise from this should not be underestimated. These differences will have effects on company profits, which is the major pulling force in the company business. The net equity of companies cannot be the same under two different systems. For example if there is a structure where two companies within OHADA decide to go into a merger and one is using the OHADA accounting rules while the other is using the IFRS. There would be a problem as to which standards to adopt. In addition, when one company totally absorbs another, the same problem might occur.[xiii]

To further complicate this, the way that IFRS regulations are applied varies widely from one country to the next. Each has its own system of regulation and compliance, and in many countries compliance and enforcement are weak. As explained above, there are similarities between the two systems, but outstanding differences still exist amongst them. Results under OHADA versus IFRS can be different enough to change an acquisition decision.[xiv]

Another problem is the fact that companies within OHADA create their own versions of the IFRS system by making reservations,[xv] and inserting favorable rules to the official standard promulgated by the International Accounting Standards Board (IASB). These companies have the possibility to choose favorable terms both from IFRS and OHADA standards.

1.1.2. Unofficial Earnings Measures

Although unofficial measures of revenue are not relatively practiced by many companies, all types of businesses have been employing non-OHADA and non-IFRS measures of earnings for a long time. An example is earnings before interest, taxes, depreciation, and amortization because it is thought to provide a quick link for the amount of cash flow available to service debts. Many companies under OHADA Law and other non OHADA states have resorted to this approach.

1.1.3. Growth in Information Technology

With growth in internet, companies began using the social media “page views”, “likes”, “shares” among others to convince investors that their businesses have value despite the absence of profits and that they are in a favorable financial situation. The internet is then used as a means of concealing vital information that may cause an adverse effect.[xvi]Since there is a lack of standards for internet reporting, companies may present unaudited accounts and/or hide the financial reports in obscure locations; make voluntary disclosures focusing on the provision of good news, rather than transparency.[xvii]

While some companies believe that company’s internet presence is important in terms of communicating with stakeholders, many companies under in Central and West Africa are still reluctant to adopt the internet for financial disclosure. They are not sure if this would affect the future acceptability of the internet medium for financial reporting.

Despite the fact that the internet is seen as a problem in financial disclosure, it eliminates manual intervention which may lead to date manipulation and which is associated to labor costs and possibility for errors, mistakes and other financial disclosure ills.[xviii]

1.1.4. Fraud and Concealment

Fraud in this context includes wrongful or criminal deception intended to result in financial or personal gains.[xix] When accountants, analysts, investors, and directors talk about

accounting fraud, they usually focus on how costs are accrued in a company's reports. Managers may, for instance deliberately overstate expenses or losses such as bad debts or restructuring costs to create a hidden reserve that can be released in future periods to artificially inflate profits. Alternatively, a company might deliberately delay the recognition of an expense or a loss in the current year. In that case, profit is borrowed from future periods to boost profit in the present. This practice is not a novelty in Central and West African states.

The two most common applications of financial statement fraud as a concealment weapon include;[xx]

- Concealing asset misappropriations and
- Concealing illegal acts

Asset misappropriations are more likely to be carried out by senior finance personnel or other senior managers who may be in a position to disguise their theft in the accounting records. Illegal acts on their part may include acts such as drug trafficking, human trafficking or trafficking in weapons.[xxi]

According to **Allan Bachman**, concealing fraud in financial statements is the deliberate misrepresentation of the organization's financial condition accomplished through the intentional misstatement or omission of amounts or disclosures to deceive financial statement readers and users.[xxii] From his definition, we can pick out two principal steps in the process of fraud and concealment. These, include, misleading financial statements and the intention to deceive financial statement readers and users.

1.1.4.1. Misleading Financial Statement

Financial statements are materially misleading (fraudulent) when the presentation contains:

- Fictitious revenues;
- Improper valuations;
- Inappropriate transaction timing;
- Omissions or false statements that are important enough to affect decisions made by users of the statements.

1.1.4.1.1. Fictitious Revenues

This can involve fake customers and different accounts can be used. This occurs when

companies record debits and credits in such a way that they balance each other despite the fact that they are improper. This leaves a fictitious fixed asset and revenue.

1.1.4.1.2. Fraudulent Asset Valuations

Improper asset valuations can be used to manipulate financial statements to the point that they are misleading and fraudulent. This can be done in several ways. Under OHADA Law, an intentional violation in the valuation of property has been done by the in-kind property appraisers or the merger and spinoff appraisers[xxiii] in order to manipulate the financial statements of an enterprise. Estimates of an asset's residual value or useful life can also be manipulated. Other schemes to inflate current assets at the expense of long term assets can be undertaken in order to manipulate financial ratios.

1.1.4.1.3. Inappropriate Transaction Timing

This is the deliberate recording of revenues and expenses in improper periods in order to create a financial statement fraud. This result in an increase or decrease in earnings desired by the perpetrators in certain periods.[xxiv]

1.1.4.1.4. Omissions, or False Statements that are Important Enough to Affect Decisions Making

Understating liabilities and expenses is another way of making the company look more profitable in the eyes of investors. This form of fraud is more effective than omission.[xxv] This form of fraud is done principally in three ways, liability or expense omissions, failure to disclose and capitalized expenses.

1.1.4.2. The Intention to Deceive the Readers and Users of Financial Statements

This is a recurrent process within the Central and West African region. This misleading aspect must be backed by the intention to deceive the readers and users of financial statements.[xxvi] This brings into play the combination of the *mens rea* and the *actus reus* for criminal liability to arise. Financial statement fraud is motivated and occurs because of reasons such as the need to meet financial analysts' expectations, the need to encourage investment in company stock, the desire to demonstrate increased earnings, allowing increased dividend or distribution payouts. Sometimes, the fraudsters want to cover inability to generate positive cash flows or to dispel negative market perceptions and obtain financing or more favorable terms which will help the company to receive higher purchase prices for acquisitions.[xxvii]

When this is done, the organization appears more profitable and acquires more assets and revenues for more funding. Revenues might be understated to avoid taxes or to create a cushion for the future. Financial disclosure fraud is concealed through the following means:[xxviii]

- Creating fraudulent physical documents
- Altering physical documents
- Creating fraudulent transactions in the OHADA accounting system
- Altering transactions in the accounting system
- Creating fraudulent electronic documents or files
- Altering electronic documents or files
- Creating fraudulent journal entries
- Altering account balances in the accounting system

In any case, fraud is an ill in financial disclosure and should be avoided by commercial companies in Central and West Africa at all cost.

1.1.5. Errors

A fundamental pillar of high quality public financial reporting is reliable, comparable financial statements that are free from material misstatement. Accounting changes and errors in previously filed financial statements can affect the comparability of financial statements. The various forms of errors that can accrue in the financial disclosure of commercial companies include data entry errors, errors of omission, errors by commission, errors by transposition, compensating errors, error of duplication, error of principle and error of entry reversal.[xxix]

1.1.5.1. Data Entry Errors

Data entry errors are mistakes that are made where and how items are entered (or not) in an accounting system. Some common data entry errors include:[xxx]

- Entering items in the wrong account;
- Transposing numbers;
- Leaving out or adding a digit or a decimal place;
- Omitting or duplicating an entry;
- Treating expenses as income or vice versa.

1.1.5.2. Error of Omission

This is simply a failure to record an item. It is not intentional but just overlooked. For example, an invoice is paid but the receipt is not registered or a tablet is purchased but not recorded in the accounting system. This can easily happen when documents, receipts and invoices are misplaced so that they are never recorded.[xxxi]

1.1.5.3. Error of Commission

This is mishandling an item by putting it in the wrong place. The amount entered is correct and even put in the right general account, but then the incorrect sub-account is used. For example, payment is received on an invoice but the receipt is noted against a different customer's invoice. As a result, the total payments appear right for accounting purposes but what's recorded for a particular customer is wrong.[xxxii]

1.1.5.4. Error of Transposition

This error is committed by recording the incorrect amount of an item through reversing numbers. This can cause overstating or understating the amount of an item which is the result of transposing a number. For example, instead of entering an expense as 960 CFA, 690 CFA is erroneously entered. This produces a difference of 270 CFA. An error like this can be costly if it is a deductible amount that isn't claimed because of the entry error.[xxxiii]

1.1.5.5. Compensating Error

These errors occur simultaneously but one offsets the other. Because the net effect is zero, it is difficult to detect. For example, income is erroneously overstated as $1,000, but expenses are also overstated by a like amount so it all evens out even though both entries are wrong.[xxxiv]

1.1.5.6. Error of Duplication

This occurs when the same item of income or expense is recorded more than once. For example, such an error can take place when more than one person has access to the accounting system and each makes the same entry.[xxxv]

1.1.5.7. Error of Principle

This error is recording an item that does not comport with IFRS or OHADA principles. Usually, this happens when an entry is made in the wrong account. The amount is correct but is simply entered in the wrong place. An error of principle is a serious procedural mistake

because it can have serious consequences. The most common example of an error of principle is recording an owner's personal expense as a business expense.

1.1.5.8. Error of Entry Reversal

This is the result of treating an expense as an item of income or vice versa. Instead of recording a 250 invoice in an account as receivable, they erroneously registered in accounts as payable (i.e., you record it as an expense).

1.1.6. High Cost of Financial Reporting

The high cost of financial disclosure has also been a problem in financial disclosure of commercial companies in Central and West Africa.[xxxvi]If disclosure is so positive, why do companies not engage in it always spontaneously?[xxxvii] One of the reasons is the high cost of financial disclosure. The fact that companies have been forced to reveal information by one or more specific pieces of legislation is a revealing factor and allows us to think that disclosure leads to costs that the political decision-makers are more or less ready to impose on their companies.[xxxviii] The very cost of producing and disseminating information cannot be ignored and this remains a problem. The cost of information adoption and dissemination is a problem for commercial companies in Central and West Africa as they are required to deposit sums of money in order to publish their financial situation.[xxxix]

Even though many companies do not disclose the costs involved in ensuring compliance for their documents and procedures, the auditing costs have increased considerably within the last few years.[xl] Moreover, we can assume that the more details are given by companies, the higher the cost of producing the information.[xli]

To sum up, increasing the quality and quantity of disclosed information generates costs of implementation. Also, regulation may increase these costs. Despite the fact that the private cost of transparency is high, the social benefits are very important.[xlii] However, if companies over-estimate social advantages, they will require too much transparency, and the level of costs will be high as well.

Apart from the general cost of disclosure, there is also an increase in governance cost. Opportunity costs are generated because of the additional time spent by managers and their teams on producing more information or information of better quality. It is certain that the increase in disclosure allows the board of directors or the supervisory board to have better supervision of managers. But that can also generate reductions in profit, accelerate the turn-

over in managers in an inefficient way and increase the remuneration of managers who demand compensation for a career that is more unstable because of the increase in risk. Furthermore, the risk that managers will falsify information to their advantage increases.

1.1.7. Information Issues of Financial Disclosure

Disclosure also raises informational costs which are probably even more problematic with regards to the objective. The issue here is how the information received by the investor is transformed into usable knowledge; that is, knowledge that can be used to value the company. In fact, in the end, disclosure is desirable in order to allow shareholders to exert control, by voting or by leaving, and to find their decisions about the purchasing and selling of shares. The objective of disclosure is to enable investors to value the share and to assess the company's ability to create value. Real disclosure in such a sense is when the information provided by the company can be used by the person who receives it in daily decision making.[xliii] The problems here are linked to the regulation or to the managers' behavior, or to transparency *per se*.

1.1.8. Manipulation and too much Disclosure

This occurs when disclosure does not provide relevant information. The first kind of manipulation is accounting manipulation which involves using accounting standards in order to reveal the most favorable balance sheet. For example, the method that consists of omitting all the unfavorable accounts and cleaning up the balance sheet in a year in which results are poor. There are also strategies to smooth out the results. Managers go as far as sacrificing long-term profits in order to smooth out their results.[xliv]

1.1.9. High Tax Liability

As far as tax legislations in Central and West African states are concerned, the tax liability on companies of some countries such as Cameroon is too high and this has caused companies to device schemes in order to reduce this liability.[xlv]As per the GTC, a tax shall be levied on all profits and income made by companies and other corporate bodies. This tax shall be known as Company Tax.[xlvi] The total Cameroon CIT rate is 33% for companies with a turnover above 3 billion. For those having a turnover under 3 billion, the CIT rate has been set at 30.8%. This rate is however very high and has caused commercial companies in Cameroon to resort to fraudulent disclosures or no disclosures. It has also increased the rate of tax avoidance and tax evasion.

While tax evasion is using illegal means to avoid paying taxes which involves schemes whereby corporations misrepresent their income to the tax administrators, tax avoidance is the use of legal methods to minimize the amount of income tax owed by companies. This is done by exploiting the loopholes of the tax laws.

A tax loopholeis tax avoidance. It is a clause in the tax law that creates a loophole people can go through to reduce their taxes. It is a way to avoid paying taxes, but since it is in the tax code it is not evasion.[xlvii] If a tax payer is tempted to use a tax loophole, he/she should be aware that the Tax Laws are complex and difficult to interpret. Getting a competent, honest tax expert can save companies from going over the line to tax evasion. Tax evasion is part of an overall definition of tax fraud which is an illegal and intentional non-payment of taxes.[xlviii]

2.1 THE WAY FORWARD

The financial disclosure process is growing more complex as time changes and as the means and standards of financial disclosure are changing as well. However, despite the fact that financial disclosure cannot be perfect, there are many recommendations which if taken into consideration can minimize the ills associated with the financial disclosure of commercial companies under OHADA Law. For this reasons, recommendations have been proposed to commercial companies, accounting experts and the legislators. All these parties have active roles as far as financial disclosure of commercial companies is concerned.

3.1 RECOMMENDATIONS TO COMMERCIAL COMPANIES

There are several recommendations that commercial companies under OHADA Law can adopt to improve their levels of financial disclosure. Applying these practices will help make their financial reports more accessible, straightforward, and valuable for the investing public.[xlix] In fact if companies are more careful with their financial statements, it would ensure that items are properly classified and entered correctly in their books. Here are some recommendations that commercial companies should take into consideration in order to improve on financial disclosure.[l]

Firstly, commercial companies within OHADA should be willing to train staff on data entry accuracy. This should be done by making sure their employees who are entering expenses into the accounting system understand the accounts and descriptions. Time should be taken to fully explain the systems of companies to the working staff. In fact, companies should make sure that those employed undergo proper training in the field of accounting. Company policy should be set on documentation procedures so that entries can be made properly and accurately. They must make sure that there is someone knowledgeable in accounting entries who can answer questions when they arise.[li]

Another recommendation to companies is that they should not overload employees with work. Employees who are overloaded with work can more easily make simple entry errors than those given adequate time to handle their activities in the company. If this is done, employees will produce better results and financial disclosure will improve for commercial companies in the OHADA zone.[lii]

Companies should consider ways in which to simplify and improve data entry and avoid errors. Here, the use of computer software by companies for accounting purpose might improve the level of financial disclosure for commercial companies. We also recommend that companies should use the latest version of their accounting system.[liii] Software and cloud versions are continually being improved to simplify the entire accounting process. It would be more convenient for them to use software that updates automatically in order to avoid the encumbrances associated with continuously updating them. If this is done, the level of financial disclosure will improve for commercial companies.[liv]Commercial companies should also be willing to jettison the old fashioned OHADA system of keeping accounting books and ledgers.[lv]

Another recommendation for companies is that they should implement strategies that can help to detect and correct accounting errors. For example, conduct accounting checks every month so that they can detect a problem and the error or so that a problem does not linger around for a very long time. Companies are adviced to periodically check if a certain amount of money which has been spent on a particular item or activity matches up. Periodically reviewing their accounts to make sure that they appropriately reflect the expenses they incur and that they comply with IFRS or OHADA standards is very important for commercial companies. Rather than waiting for annual general meetings to review accounts of companies

under OHADA, other periodic checks should be carried out. In this way, there would be a glaring improvement in the accounting system of companies.

Companies are also recommended to choose accounting standards that reflect their forms of company.[lvi] Companies based in the OHADA zone use IFRS or OHADA system for accounting.[lvii] The accounting system chosen by the companies must reflect these standards. If time is taken to choose the required standard and if this standards are properly implemented, great improvement will be envisaged in the area of financial disclosure of commercial companies within OHADA. However, the design of the regulation can restrict this problem. For instance, **Auger** and **Lander** think that concerning the disclosure of off-balance activities, manipulation can be decreased if the regulation "requires companies to disclose the economic motivations for the accounting practices they adopt". Sometimes, the regulation should ask for clear and understandable information instead of detailed information.[lviii]

Companies are also recommended to strictly enforce reporting deadlines. The companies must be prompt to ensure that reports are presented during the annual general meeting to verify the accounts of the companies. This will improve the financial disclosure of commercial companies in the OHADA zone as time is a very important element in the disclosure process. Fortunately, there are four simple and cost effective solutions for improving financial reporting timeliness. They include;

- The use of the web; most financial institutions provide online reporting.
- The use of accounting software effectively.
- Enforcing reporting deadlines.

For increased security against fraud and concealment, companies are advised to employ the following fraud checks against auditors and other employees involved in financial disclosure.[lix]

- Companies should perform procedures at locations on a surprise or unannounced basis; for example, observing inventory on unexpected dates or at unexpected locations or counting cash on a surprise basis.
- Companies are also advised to request that inventories be counted at the end of the reporting period or on a date closer to period end to minimize the risk of manipulation of balances in the period between the date of completion of the count and the end of the reporting period.[lx]
- Companies should also make oral inquiries of major customers and suppliers in addition

to sending written confirmations, or sending confirmation requests to a specific party within an organization.[lxi]

- Companies should also interview personnel involved in activities in areas in which a fraud risk has been identified to obtain their insights about the risk and how controls address the risk.[lxii]
- If other independent auditors are auditing the financial statements of one or more subsidiaries, divisions, or branches, discussing with these auditors on the extent of work that needs to be performed to address the fraud risk resulting from transactions and activities among these branches or subsidiaries will improve the financial disclosure of the said company.[lxiii]

3.1.1. Recommendations to Company Auditors and Accounting Experts

Due to the pertinent role accountants and auditors play in financial disclosure, it is important that audit quality be checked. Audit quality refers to matters that contribute to the likelihood that the auditor will achieve the fundamental objective of obtaining reasonable assurance that the financial report as a whole is free of material misstatement and ensure that material deficiencies are detected and addressed or communicated through the audit report.[lxiv]

Auditors are therefore required to disclose the following;[lxv]

- Disclose only relevant information;
- Make disclosure that is specific and complete;
- Make disclosure that is clear, balanced, and understandable;
- Make disclosure that is consistent over time;
- Make disclosure that can be comparable among companies within a sector industry or portfolio;
- Make disclosure that is reliable, verifiable, and objective; and
- Make disclosure on a timely basis.

If auditors can master this, then they would improve in the performance of their duties in particular and financial disclosure of commercial companies in general. Auditors are recommended to look at the nature of the product/service being offered by the company, including the uniqueness of product, level of profit margins, creation of brand loyalty and control of costs.[lxvi] Additionally, factors such as supply chain integration, geographic diversification and industry diversification should be considered.[lxvii]

Auditors are also urged to properly assess the quality of the company's financial statements. We however recommend auditors to review the key financial statements within the context of the relevant accounting standards which are OHADA or the IFRS.

In examining balance sheet accounts, issues such as recognition, valuation and classification are keys to proper evaluation. The main question should be whether this balance sheet is a complete representation of the company's economic position.[lxviii] When evaluating the income statement, the main point is to properly assess the quality of earnings as a complete representation of the company's economic performance. An evaluation of the statement of cash flows helps in understanding the impact of the company's liquidity position from its operations, investments and financial activities over the period in essence; where funds came from, where they went, and how the overall liquidity of the company was affected. If auditors take their time to examine all these variables within the company, financial disclosure will take a proper and clear turn in the OHADA zone.

Auditors are also recommended not to be over-reliant on or readily accept the explanations and representations of the management of audited companies without challenging matters such as key underlying assumptions, or seek evidence to corroborate estimates or treatments rather than appropriately challenging them.[lxix] Exercising professional skepticism is a critical part of conducting quality audits. The auditor must critically assess, with a questioning mind, the validity of the audit evidence obtained and management's judgments on accounting estimates and treatments. If this value is practiced, the financial disclosure of commercial companies within the OHADA zone will improve.

Financial reporting auditors are advised to avoid the habit of repeating identical or substantially similar narrative in different sections of disclosure.[lxx] The same goes for a narrative about segment numbers already provided in the financial statements, or nearly identical footnotes such as barely different explanations of what drives an account receivable. They should focus on the most critical financial information by using tables or charts in place of narrative texts, varying types of charts, opting for eye-catching colors and larger typeface, using a different type font and showing time-ordered comparative charts among others.[lxxi]

The preparation of audit reports by auditors is meant for the understanding of others. In this light, auditors are advised to use plain and simple languages that is easy for others to understand, they should break long sentences into shorter ones, and separate long narratives into multiple paragraphs. Auditors are advised to go for easily understood words over industry

jargon. The bottom line is that the guiding principle should make the disclosure easier to read, digest, and remember. Sometimes a single well-organized graph of figures can replace multiple paragraphs of words. Auditors must ask themselves if turning their data into bar or pie chart might explain key financials more clearly and effectively than lengthy financial statements. The same prescription goes for the footnotes of the financial statements. Auditors are advised not to ask people to read deep into footnotes to reach the most impactful information and their footnotes must not tend to run long; Auditors are advised to write footnotes to give the most material disclosures early, and to consider techniques like bold-facing, underlining or italicizing to draw attention to key points. In addition, the strict legal language that typifies many disclosure footnotes should be replaced with easily understood words and shorter declarative sentences.[lxxii]

Auditors are required to consider consulting internal and external stakeholders in order to improve on financial disclosure. Working with a staff of the company and consulting them from time to time eases information acquisition which is a key element in financial disclosure. According to **Dominick Fatibene**,[lxxiii] consultation with external stake holders enables the auditor to easily understand the form of information required by third parties.[lxxiv] These types of objective insights from users outside companies can help the team of auditors to decide to streamline certain disclosures or add to others.

3.1.2. Recommendations to the Tax Regime of OHADA Member States

The different member states of OHADA have different tax regimes. The tax regime for commercial companies in an OHADA member state like Cameroon is the Company Income Tax which is a compulsory tax for all commercial companies operating in Cameroon.[lxxv] The Cameroon tax system has always been described as a "kangaroo system".[lxxvi] This is due to the harshness it portrays. We however recommend that, the tax administration of countries like Cameroon should consider resetting the tax base because the CIT set at 33% for companies with a turnover above 3 billion and 30.8%; for those having a turnover less than 3 billion is too high. If this is done, the fear of high tax liability would be reduced and this will cause commercial companies in the OHADA zone to be more disclosure friendly. Aspects of fraud such as tax evasion shall be reduced and this would better financial reporting for companies under OHADA Law who frequently commit these frauds to escape from or reduce their tax liability.[lxxvii]

3.1.3. Recommendations to the Legislator

Despite the fact that OHADA member states have adopted financial reporting standards such as the IFRS and the OHADA standards, it is recommended that, standards that are unique to the different member states should be adopted by their regulatory boards. The standards that will suit the Cameroonian context will not necessary be the same standard that will be suitable for other OHADA member states. If this is done, the degree of the financial disclosure of commercial companies under OHADA Law shall be improved. The recommendations in this work show that the initiative is a promising model for improved financial disclosure. If properly implemented, the disclosure process would be improved to portray a clear and concise picture of the company's financial standing despite the fact that some irregularities are indispensable.

Regulation N° 01/CEMAC/UMAC/CM of 11 April 2016 on the Prevention and Suppression of Money Laundering and the Financing of Terrorism and Proliferation in Central Africa makes provisions for the creation of NAFI in all CEMAC member states. It also makes provisions for the organization and composition of NAFI. NAFI has been bestowed with responsibility for the prevention and repression of money laundering and terrorist financing in the CEMAC regions.[lxxviii] It has been given investigative powers regarding crimes of this nature. It should be noted that commercial companies within CEMAC who are all OHADA members are not exempted from the investigation of NAFI. However, NAFI has as one of its missions to receive, process and, where applicable, transmit to the competent judicial authorities all information specific to establishing the origin of the sums or the nature of the transactions covered by the Declaration of Suspicion (DS) in respect of the fight against money laundering and terrorist financing.[lxxix] The reason for the transmission of such information to the judicial authorities is for penal sanctions to be imputed on them. The fact that NAFI has merely investigative powers limits their scope and makes is a setback to the functioning of NAFI. We therefore recommend that the legislators of member states should enact laws extending the powers of NAFI from mere investigation to punishment. If NAFI can investigate and punish financial crimes, if would make the process easier and more cost effective.

CONCLUSION

The path to effective and proper financial disclosure is not a smooth one. The process of companies disclosing their financial position is usually encountered with a handful of

difficulties that are both internal and external in nature. Some of these encumbrances include the fact that there is a lack of universally acceptable standards for financial disclosure.[lxxx] In addition, the increase in unofficial earnings measures is also another problem coupled with growth in information technology for which most companies are unwilling and reticent to adopt. Fraud and concealment in financial statements is a very common ill practiced by company's management with the intention to deceive the readers of company's financial statements. The fact that company taxes are too high in Central and West African states cause companies to device means to evade and avoid taxes through concealing or frauding their financial statements. The nature at which financial disclosure is made always produces effects which are either constructive or unpleasant. Companies are called upon to make transparent and accurate disclosures so that positive feedback would emanate rather than fake or no disclosures that can turn the commercial company into a sinking ship.

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