CHAPTER VI

Conclusions

&

Recommendations
CHAPTER – VI

CONCLUSIONS AND RECOMMENDATIONS

In the previous chapter, comparative study of Indian and Eritrean organizations accounting and reporting methods was made.

In this last chapter, conclusions are made, based on them suggestions are made. Scope for future research is also indicated. In this connection, researcher would like to draw attention towards the study’s main objectives, period of study and particularly on country’s economic and social conditions prevailing during the period for which study covers as these are having direct bearing on the conclusions drawn.

The objectives of study are mainly (a) to study and examine the accounting practices (b) financial statements reporting practices of organizations in Eritrea and (c) to compare these aspects with Indian organizations’ practices.

The period of study is ten years covering form 1991 to 2000. For the purpose of study six Eritrean organizations are selected and accordingly data is collected mainly through secondary source i.e., published annual financial reports. Due to organizations executives reservations in supply information through primary source much could not be gathered.
VI.1 Conclusions

1. The Eritrean government has issued a circulation called "Legal notice No.15/1993" containing "Regulations to issue certificates of professional competence to private auditors and accountants". This notice deals with regulations for practicing as auditor or an accountant, but the auditors of organization's accounts and presentation of financial reports are not made compulsory. Similarly in 1997, move was made to create "Eritrean Institute of certified Public Accountants". For this purpose a draft proclamation was prepared by "Coordinating committee for the formation of Accountancy Institute" and circulated inviting comments. The draft was about by-laws of the public accountants institute, list of adopted international standards and auditing standards. The draft was recognized the importance and necessity of adopting global standards in accounting and reporting practices. But due to border war and internal disturbances, the draft proclamation could not be finalized till the date.

2. Another major factor is country's economic and social conditions from the day of independence till today. The country's immediate needs and necessities could not allow to concentrate on the issues like implementation of international standards in accounting and reporting practices, auditing etc., and hence could not follow uniform standards in reporting.

3. The country (Eritrea) had been devastated by war for more than three decades. Country's infrastructure including education, health facilities, communications, agriculture commercial and industrial bases were disrupted, undeveloped or destroyed. Its energy resources and exploitation of its mineral wealth were neglected or undeveloped. Management of its environment was degraded creating an imbalance in the ecological system with multi-faced adverse effect on the habitat of people and animals. The Country's population was displaced and made redundant.
Lack of physical, social and institutional infrastructure, low material and human capital formation, inadequate technological base etc., were some of the economic problems of the country at the time and first quarter of independence period. Thus the country was in an immediate and urgent need in the short-term for the resuscitating of the economy to produce basic essential needs, recovery of essential social services, restructuring the organizational capacities. As the process of reviving started and continuing, the same was again affected by border war in 1998 with Ethiopia which was continued till May 2000. due to all these, the country could not take up long-term strategic developmental steps, though identified the strengths, weaknesses, opportunities etc., The country's economic view in long term was to develop the free enterprise market system, to create an environment of accountability, transparency, good governance for the public good and the allow free foreign investment.

4. The forms of economic organizations, particularly corporate, and their growth within a free enterprise economic system thrive on the savings to be accumulated in the capital market, reinvested profits and supplemental funds from foreign sources. These make heavy demands on the legal, fiscal and accounting procedures within the country. This requires establishment of appropriate policy development of entrepreneurial culture. Such desire calls for capacity building by developing accounting skills which is one of the prominent and core requirements. Lack of adequate capability in financial management and reporting and particularly absence of an institution for the development of such disciplines and skills affect the progress of both public and private sector organizations.
5. Accounting, as a measurement and reporting information system, covers both macro and micro economic activities, which relate to the planning and control of economic events not only at the organization level, but also at the levels of government administration and national accounts.

6. The need for accounting and financial reporting standards will also further be heightened with the public and private sectors issue securities to raise finance of thus economic activities. Trading in capital markets, raising finances with general public and investors, need high quality financial information on the performance and conditions of the public and private enterprises. Accounting, which meets these demands by way of providing relevant, timely, and reliable financial information produce relatively on uniform basis. Absence of such institutional organization of accounting standards in practice and presentation of financial information are having repercussions on the country's potential economic growth.

7. Absence of such uniform basis in the country could not generate sufficient domestic and foreign investments. Lack of such confidence among the investors, created the problems in flow of capital. Further, lack of such standards, cannot give credence to financial information to stakeholders. The information of the organizations cannot be comparable as they are not consistent and relevant in the evaluation of business performances, due to divergence in accounting procedures. Moreover, such inconsistent methods or non-standardized data may result in the deployment of scarce resources in relatively unproductive and unprofitable investments.

8. Standard accounting practices provide more standardized information which is an important tool in framing development plan establishing dynamic models necessary for meaningful economic projections and determining the relationship between
capital formation and annual growth of national product. Hence standardized methods and practices in the measurement of economic inputs and outputs are of vital importance in the development of economic policies and public finances. Accounting, which is standardized with international dimensions, helps the country to develop international trade and to grow economically strong. Thus profession and standardization of Accounting and Reporting Practices would assist in instilling investors’ confidence and economic growth of the country.

VI.2 Recommendations

From the foregoing conclusions, following suggestions, and recommendations are made.

1. Uniform accounting practices should be made compulsory for all organizations.

2. Existing different local practices should be harmonized.

3. Independent professional body should be established to supervise, and to offer assistance to accounting profession.

4. Accounting discipline and profession should be strengthened by following international accounting standards.

5. Organization’s accounts’ external audit, by independent and qualified person or body should be made compulsory.

6. Time bound plan should be adopted by organizations in completing the external audit.

7. Continuous internal audit should be made compulsory for all organizations.

8. Timely preparation and presentation of financial reports should be made compulsory.
9. Audited financial statements should be supplied to all investors, stakeholders and other interested parties within three to six months of completion of accounting period as it is a practice in all developed countries.

10. International standards should be adopted and followed in presentation of reports to promote comparability of financial information.

11. Draft ‘Public Accountants Proclamation of 1997 should be made official proclamation to follow code of Ethics in accounting and auditing fields.

12. Organizations with foreign investments should be allowed to do business without losing country’s economic sovereignty and self-reliance.

13. Private sector entrepreneurship should be encouraged to strengthen the economy and the public sector should act as service-oriented tool in the economy.

14. Sources through Bureau of Statistics and Economics, Industrial reports of Government issued from time to time, should be made available to confirm the reliability of the published financial information.

15. Laws of the land should permit the outside investors to participate in Eritrea’s strategic position in the continent as it is the gateway to Europe, Middle East and Africa.

16. Foreign trade procedures should be made easy to make advantage of attractive coastal region of the Country. For this, internalizations of accounting procedures, adopting the suitable international accounting standards should be made applicable, at least phase-wise, for the business organizations.
VI.3 Scope for Future Research

The present study was limited to the period of ten years i.e., 1991 to 2000 based in the available data. If Eritrean government introduce the laws to make the accounting profession as international standard and also auditing as compulsory for organizations, there is scope for further research study of this topic in future.