

ACTIVITIES OF PUBLIC ACCOUNTANTS IN A CHANGING GLOBAL ECONOMIC AND POLITICAL ENVIRONMENT

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Abstract

An Accountant is always **referred to as the life-wire of his establishment**. Accounting provides useful information to decision makers, thus as the business environment has changed so have the accounting standards that govern the presentation and disclosure of information. International Accounting Standards are central to this concept. International standards were first developed in the late 1960's but they have reached their zenith of importance in today's economic and business environment. It is also evident that governments and policy makers recognize this change. Accounting as a profession has come of age and current developments demands that Accountants go an extra mile before they can be adjudged as achievers. However, since the Accountant does not operate in a vacuum, he has several forces to contend with if only he is to succeed in this environment that is saddled with political and economic manipulations. This study examined some of those problems such as political, economic, and ethical facing the profession. The study concluded by recommending that Accountants should maintain the professional integrity, prudence in spending, accountability in operations and, transparency in disposition all of which, will enable him succeed in the face of all those hindrances.

Accounting is an art, a method, a measurement methodology of communication system and, an information system designed to produce selected quantitative data in monetary terms about an entity engaged in economic activity. However, several developments within the profession coupled with the ever-changing environment in which the Accountant operates has brought to light that, there is more to it than that. This is because there are lots of refinements and sophistication which the Accountant has to contend with in the daily performance of his duties. In previous years, the development of the financial and accounting information of the governments in countries such as Australia, Canada, France, Spain, United Kingdom and New Zealand has grown due to the influence of a culture based on a more transparent management, with larger control and emphasis on citizen (Pérez 2005). A New Public Management (NPM) and public governance contributed so that the countries would implement changes in accounting, budget and accountability. Many studies reveal the influence of NPM in the academy, education and research in accounting area (Lawrence and Sharma, 2002; Parker, 2002; and Roberts, 2004). After a series of administrative reforms, Brazil progressed to the implementation of an accounting reform aiming at a larger transparency and disclosure of governmental transactions. The need of the governments to provide reliable accounting information to all users is growing in Brazil. Administrative and accounting reforms, in addition to strengthening public accountability, incorporate a series of incentives to encourage a better management and provide better allocation of economic resources (Vicente 2012). For the purpose of this paper we would look at public accountants as those accountants in private practice, top level accountants in government establishments, and in the private sector

The objectives of the study are to determine:

- (1) The relevance of public Accountants in Today' Global Economic and Political Environment.
- (2) Problems facing the Accounting profession and

(3) Fields of Accounting Activities

Other part of this paper are structured as follows: Section II, will look at the fields of accounting activities. Section III, deal with conceptual issues, while section IV and V, bothered on the relevance of public Accountants in today's global economic and political environment, including the recommendation and conclusion of the study.

II Fields of Accounting Activities

Accountants perform many diverse services and are engaged in various types of employment.

There are three major fields of accounting activity namely:

- i) Private Accounting**
- ii) Public Accounting**
- iii) Governmental Accounting.**

Each of the above comprises many aspects of accounting activities. A broad description for each of them is as follows:

(i) Private Accounting

There are probably more accountants employed in private accounting than in any other field. Private employers of accountants include manufacturers, wholesaler, retailers and service firms. Depending on the complexity and size of the business, the private accountant's duties may vary from routine reporting to the design and installation of electronic accounting systems. However, the major objective of private accountant usually is to assist management in planning and controlling the firm's operations. In many large business organizations, the head of the accounting department is called the Financial Controller/Chief Accounting/Head of Accounts. He is a key executive who works closely with other management personnel.

In large business organizations, Internal Auditing is usually installed to ensure that the internal control systems put in place are being complied with. An internal auditor investigates policies and procedure designed to safeguard assets, promote operational efficiency, and provide reliable information, and reports the results to management.

(ii) Public Accounting

The field of public accounting is composed of firms that render independent, expert reports on financial statements of business enterprises. Public accounting firms also perform a wide range of accounting and managerial services, acting as consultants to their clients. In Nigeria, most of the accountants that establish public accounting firms are holders of ACA, ANAN and CPA.

The certificates attest to the fact that they must have passed a rigorous examination and has met the requirements for education and experience set by the government/professional bodies to assure a high standard of performance. The CPA/ACA/ANAN and other recognized accounting bodies as compared with the other professions of law and medicine, have comprehensive code of ethics i.e a set rules of professional conduct that governs the behavior of its practitioners in performance of their work.

The professional responsibility of the public accountant is somewhat unique. While the attorney and the physician are responsible only to their clients and patients, the public accountant maybe professionally he has responsible to "third parties" who reply in the financial statements he has audited. This is true even though the "third party" in no way contributes to the fee paid for the audit and has no contractual relationship whatsoever with the accountant.

(iii) Government Accounting

A large number of accountants are employed by the Federal Government, State Governments and Local Government authorities. The services performed by these accountants parallel those of private and public accountants and may cover the entire spectrum of financial and managerial accounting. For example, the Federal Auditor General Office, and the State Auditor General Offices engage in auditing activities similar to those of public accountants. Audits may be conducted not only of governmental agencies but also of private firms doing business with a governmental unit. Accountants of Board of

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Inland Revenue (BIR) and the corresponding state agencies conduct accounting investigations of firms and individuals in connection with their tax liability.

Other government bodies that employ accountants include Nigeria Securities and Exchange Commission, Public Complaints Commission, Nigeria Communications Commission, The Nigeria Police, The Nigeria Army etc.

III Conceptual Issues

Problems Facing the Accounting Profession

Political and Economic Environments

Much of the operations of the Accountant is affected by both the political and economic environments in which he operates. Given that organizations (in which Accountants operates) exists within a political environment, it is imperative that political changes impede the Accountant's task of predicting future influences and planning to meet them. This to a very large extent hinders the successful implementation of budget and render estimates worthless. Hence, performance evaluation becomes a difficult task since the existing standards at the time of planning would have been eroded by political instability and incessant adjustments to measuring parameters. Furthermore, the economic environment is so complex that even professional forecasters do fail to predict its behaviours accurately. The necessary parameters needed for measuring the economic performance such as, inflation rate, exchange rate and interest rate are so unstable that they do not allow for meaningful decision making which can assist the Accountant to prepare himself for the challenges ahead. All these unpredictable forces makes the work of Accountant to be cumbersome, less reliable unpredictable and hence unqualitative.

Accountants can manipulate to suit the bottom line requirement. In many cases Accountants see themselves as employees or agent of their clients. On the one hand, such an attitude is quite understandable and predictable. On the other hand, it seems to be undermining the notions of independence and objectivity that have so long marked the profession of advocacy. Today, major accounting firms will offer cafeteria of finical services. Many accounting firms will offer virtually anything .a client wants without necessarily thinking of how it affects the culture of their professional calling. As more and more non-Accountants become involved in major decision making situation, they might not in fact, be imbued with all the commitments and understanding of what public accounting ought to be. As a result of lack of consumer protection and appropriate regulation to checkmate the moral hazards occasioned by unethical conduct, there is a real danger. Since we are not such a legalistic society. Accountants are afraid to even make determinations for themselves of what is right or wrong.

Non-qualification of Financial Reports

It is a common knowledge here in Nigeria that, a larger percentage of Auditor's report are not qualified. It does not mean that all these statements are not qualifiable but the onus lie with the auditor who did the audit job. As a result of unqualified financial statements, the general public assume that all is well and continue to make investment. By this, the auditor had abused the ethics of Independence and Objectivity. It is as a result of this that the issue of the distress in the banking industry from 1996 to date came to focus. A look at this will reveal that if there were no ethical abuses most of the distressed banks would have been saved. Resulting from the above, the profession once ran into crisis which almost got her integrity eroded. This was when the Accounting and the Legal professions had a face-off on the issue of Lawyer's attestation. Lawyer's attestation to Auditor's report For the first time in history, a controversy was created between the accounting and the law profession in Nigeria as a result of Section 3 59(2) of Companies and Allied Matters Decree, (1990) which authorized Lawyers to countersign Auditors' report. The argument put forward in support of that Section was that Auditors are skilled professionals who, by their technical know-how collude with companies to produce different sets of accounts of a particular period for different purposes. The "provision was perceived by Accountants as the efforts of those in legal profession to create avenue to fend for their hungry members, since they

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would, of course, charge fees for countersigning the Auditors' report. They would thus, be reaping from where they have not sown. More so, they are exempted from any liability that may arise from such Auditors' report. The Institute of Chartered Accountants of Nigeria and every other recognized accounting professional bodies; other institutes and personality firmly opposed the provision which led to the repeal of the draconian Section 359(2) of the Decree. This saw the Accountancy profession back to its normal feet. This issue attested to the extent of the public's aspersion on the reliability of Accountant's work.

The Uniqueness of Accountants

The Accountant seems the most mobile as he is unavoidable in almost all the facets of human endeavours. While most of the other professionals are restricted to their areas of operations such that, the Medical Doctor is found in the hospital, the Lawyer in the Chamber or Court, and the Engineer in the factory or workshop. In the case of the Accountant, he is everywhere and hence we have, hospital Accountant, factory/workshop Accountant, Accountant in government service, industry, academia and of course consultancy and professional services. It is no gainsaying that, what blood is to the body is what money is to business and by inference what the Accountant (the custodian of money) is to his organisation and indeed, the Nation. For the enhancement of the performance of his duties according to Edet (2001), Accountant has to undertake the followings: record keeping (book keeping); cost accumulation for decision making (performance evaluation, control, predictions and crises management); auditing and investigation: tax management and other management advisory services such as: liquidation, acquisition and mergers, privatization and commercialization. In conducting or performing those duties, the profession is governed by rules of conduct which include: independence; prudence; consistency and objectivity.

Iv The relevance of public accountants in today's global economic and political environment.

The public accountant is very relevant in today's global economic and political environment under the following phacets:

Tax Computation

A public accountant can compute tax for his organization. He is well equipped for this purpose, he knows the taxation laws. Except the tax free activities like education, and agro allied almost all human activities are now taxed, and the appropriate payments are made to the relevant tax authorities.

Hardly can any decision be taken by the financial manager without considering the impart of taxes, when we talk of cash flows in an organization, the cash we will consider will be after-tax incremental cash flows.

When a new project is evaluated, we will see income taxes playing significant role. When a company is analyzing the possible acquisition of a plant/equipment, the returns from the investment should be measured on an after-tax basis. Otherwise the company will not truly be evaluating the true incremental cash flows generated by the project. It is an accountant that is best equipped to prepare this evaluation.

Computations of taxes also play a role in determining a firm's financial structure, or mix of debt and stock. It can be noted that tax laws give debt financing a definite cost advantage over stock. For instance, interest payments are a tax – deductible expense (i.e. tax free), whereas dividend payments to stock holders may not be used as deductions in computing a company's taxable profits. Payment of interests lowers profit and eventually lowers tax payable.

Wealth Measurement

In measuring wealth or value we will use cash flows. The cash flow will take into consideration increase in net working capital.

Accounting Information

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The public accountant prepares accounting information that will be useful to many users, among which are the following:

- (a) Owner(s) of the business. They want to be able to see whether or not the business is profitable, whereas the sole aim of establishing a business is to make profit. In addition they want what the financial resources of the business are:
- (b) A prospective buyer. When the owner wants to sell their business the buyer will want to see such information. It is the public Accountants that prepares the information.
- (c) The Bank. If the owner wants to borrow money for the use in the business, then the bank will need information on the financial position of the business such as the Balance Sheet, Trading profit and Loss Account, and Fund Flow Statement.
- (d) Tax inspectors. They need accounting information especially the profit and Loss Account in order to calculate the taxes payable. Tax payable for a company is prepared by making adjustments to operating profit for allowable and disallowed expenses.
- (e) A prospective partner. If owner wants to share ownership with someone else, then the would – be partner will want accounting information prepared by a Public Accountant. Most of the business partners can be found in the economic/political environment.
- (f) Investors. Existing investors or people wondering whether or not to invest their money in the business. Most of the investors abound in the economic and political environment.

Preparation of Final Accounts

The public Accountant is in very good position because he is well trained in the preparation of final accounts i.e. Trading, profit Loss Account, and Balance Sheet. Currently, Cash Flow Statement or Fund Flow Statement is being prepared in addition. The final accounts and Fund Flow Statement contain in a summarized form, what we can call the accounting information for a business which is very useful to many users, as we could see in our discussion here.

The preparation of final accounts is statutorily required by law ref: to Company and Allied Matters Decree (CAMD) 1990.

Profit Measurement and Calculation Of Net Working Capital

With the preparation of final accounts, the Trading, P&L Account must have measured the profit made for a trading period may be, a year or half year. Note that profit made is not the same as cash balance.

In addition, the preparation of fund flow statement will show the increase/decrease in the net working capital for a given period. It is the public accountant that is in a good position to prepare such statements.

Cost Accounting Preparation/Determination of Unit Cost

The public Accountant is in a good position to prepare cost accounting records of a manufacturing organization. The cost accounting records are accumulated under the following cost elements:

- Material
- Labour
- Overhead

After the accumulation of the various costs, that can be divided by the quantity produced in order to determine the unit cost of production of a product.

The various methods of costing jobs include:

- (a) Job costing, (b) Process and unit costing,
- (c) Standard costing, and (d) Marginal and uniform costing.

Assist in good Pricing Policy

With determination of unit cost of a product, which is like the real cost, the desired margin of profit can be added to arrive at the price of a product. Without a good preparation to determine unit cost, pricing of a product can be irrationally determined. In a competitive business environment which is typical of today's global economy, poor pricing can lead to business failure.

Preparation of Budget

Public accountants are very relevant in the preparation of a budget.

What is a Budget?

A budget is a financial and/or quantitative statement, prepared and approved prior to a defined period of time, of the policy to be pursued during that period for the purpose of attaining a given objective. It is a plan, not a mere estimate or prediction.

For example, complete budgeting of the future operations of a business involves the matching of sales with production so as to set an attainable objective, and the planning of the work to be carried out and the costs to be incurred by the various budget centres into which the business is divided for budgeting purposes.

V Conclusion

The adoption of global or international accounting standards is an idea that has patiently waited in the wings for decades. The increasingly global nature of the business environment coupled with the complexity of financial dealings propelled global accounting standards into the limelight. Thus the ultimate goal of international reporting will be achieved, and international standard will be an idea whose time has finally arrived.

The accountant's environment has changed rapidly in the past decade or so and is likely to continue to do so. If the Accountant is to continue to play a significant role in the economy, he must be able to contribute to the achievement of dynamic efficiency (i.e. the facility to adapt and react to changes) as well as to static efficiency (i.e. the ability to handle resources presently available). All the above he accomplishes by the applications of already acquired skills.

The first being referred to as core skills which are basic skills in numeracy and literacy which provide a benchmark against which alternative systems of pre-qualification education and training may be evaluated. While the second skill, called specialist skills acquired after qualification, deal with personnel management, marketing and leadership skills. All these provide the accountant with the needed technical knowledge.

Recommendations

It is recommended that Accountants should maintain the professional integrity, prudence in spending, accountability in operations and, transparency in disposition all of which, will enable him succeed in the face of all those hindrances. Since the Accountant does not operate in a vacuum, he has several forces to contend with if only he is to succeed in his environment.

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