

THE DEVELOPMENT OF ACCOUNTING IN NIGERIA (WITH SPECIAL EMPHASIS ON THE KEY ROLE PLAYERS IN EDUCATION, TRAINING AND PRACTICE)

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Abstract

Accounting records dating back several thousand years have been found in various parts of the world. These records indicate that at all levels of development, people desire information about their efforts and accomplishments. Therefore, accounting as a profession has a very important role to play in the economic development of any nation such as Nigeria. The purpose of this paper is to review the development of accounting in Nigeria by laying more emphasis on the key role played in education, training and practice. Accounting education and training sharpens the skill of a person, be it a professional skill or otherwise. Effective functional knowledge required by an accountant today has expanded and changed rapidly. This paper focuses on the development of the accounting profession in Nigeria. It critically examines the profession and the station dynamics that have helped shape the various developments of the accounting profession in Nigeria.

Introduction

A discussion of the development of accounting in Nigeria cannot be undertaken without making reference to the development of Nigeria as a nation. In pre-colonial Nigeria, economic activities hardly required the services of an accountant. However, the introduction of a modern economy stimulated by international trade and diversified inter cash-economy has called for a profession such as accounting to service the expanding modern sector.

Accounting as a profession, therefore, has a very important role to play in the economic development of any nation. As a measurement and reporting information system, the profession can cover both micro economic activities and it consists of various subsystems which relate economic events and decisions (Ajayi, 1997, p.7). These subsystems can be identified as the major accounting fields, business accounting, government accounting, social accounting, auditing and taxation, all of which aid in economic planning, project appraisal, capital formation and a host of other socio-economic activities.

Accounting as a profession originated from the need to have in place a system of recording financial transactions. In the past, man had employed accounting according to his needs: to enumerate and control assets, as a reporting device of stewardship, tax-gathering and as evidence of trade, for the control of production, or the management of business.

The accumulation of wealth and the growth of capital, the expansion of production and trade, and development created the need for financial information and control. Accounting is therefore a response to the demand of economic and financial exigencies of the society. Hence, the *objective* of this study is to highlight the various stages of development which accounting has undergone in Nigeria, the need to have in place a system of recording financial transactions, and to control the management of business.

Literature Review

Accounting, as a record keeping process, has evolved over many centuries to serve the changing social and economic needs of society. As early as B.C. 3,600, clay tables were used in the Babylonia empire to record various facts (Helmakap, Imdieke and Smith, 1986, p.2). Many of these records contained lists of events as they occurred or lists of goods belonging to an individual, estate, or temple. Similar types of records have also been discovered describing business activities in ancient Greece, Egypt and Rome.

Modern-day accounting has its origins in the double-entry bookkeeping method developed by Italian merchants during the twelfth and thirteenth centuries. Probably the most important

condition giving rise to this development was the rise in trade between most medieval Italian cities and the East.

The first complete description of the double-entry system was included in a book called *Summa de Arithemetica, Geometiria proportioni et Proportionalita*, published in 1494 by a Franciscan monk named Luca Pacioli (Helmkamp, Imdieke and Smith, 1986, p.3; Glautier and Under Down, 1982, p.5; Omolehinwa, 1994; Ogundele, 1991, p.9).

Government regulation and income tax legislation have resulted in an increased need for accounting system in both their record-keeping and communication functions. The double-entry system developed by the early Italian merchants is essentially the same system used today to satisfy the increased demand for accounting information. Accounting has developed as a profession and has attained a status equivalent to that of law and medicine.

According to Ogundele (1991), formal accounting and accountability, as we know it today, evolved in the country with the advent of the expatriate adventures (plunderers) into our land.

The development of accounting in Nigeria can be traced to the time when the companies' ordinance can be said to start in the early fifties when the Nigerian Colleges of Arts, Science and Technology were established in Ibadan, Enugu and Zaria and the development of the departments of accounting in the Nigerian Universities, Polytechnics and Colleges of Technology.

Just after the country's independence, the idea of establishing a professional body of accountants in the country became a burning issue in the mind of a few accountants who coordinated the establishment of "The Association of Accountants in Nigeria" incorporated under the companies Act, 1958. The main objectives of the Association were to provide a central organization for accountants in the country, to maintain a strict standard of professional ethics, and to provide for the training, examination and local qualification of students in accountancy.

The profession was given a fillip in 1965 when an Act of parliament established the Institute of Chartered Accountants of Nigeria. The Institute by a section of its Act was empowered with the general duty to, inter alia, determine what standards of knowledge and skill to be attained by the persons seeking to become members of the accountancy profession, as circumstances would permit.

The Institute of Chartered Accountants of Nigeria (ICAN) was the only professional body regulating the accounting profession in Nigeria until 1st January, 1979, when another accounting association known as the Association of National Accountants of Nigeria (ANAN, 1980, p.4) was founded to perform duties similar to those being performed by ICAN.

In fact, it can be safely said that ICAN was awakened from its slumber with the birth of ANAN. From that time on ICAN put its house and machinery for professional training in order. The rejuvenation process resulted in improved statistics of trained accountants from 1,927 in 1980 to 4,107 in 1988 (Ogundele, 1991).

Training and Education of Accountants

Training can be defined as the process of teaching and giving instruction to say, a child, students, soldier or an animal to bring a desired standard of behaviour, efficiency or physical condition (Wintoki, 1997, p.47).

The simple Webster's II Dictionary (1987) defines education as the act or process of educating or being educated, the knowledge or skill obtained or developed by such process on the field of study concerned with teaching and leaving pedagogy, for students to look beyond specific situations, to see general principles or applications and to appreciate more the context and environment of the field of study. Education seeks to create the ability in a student to understand the concepts behind his subject, so that he is better alive to apply it.

The term "accounting education" can be defined in many ways. It can be used to describe education for accountants, that is those instructions decreed to be necessary for potential accountants to acquire in order to gain their professional qualifications. It can also be used to describe the expansion of an extension of knowledge and the development of judgment of those who have already become accountants. In other words, it is the education of accountants either in practice, industry or commerce or wherever they are employed. Such education is undertaken in an effort to update and increase the scope of the knowledge of the accountants.

Another veritable definition of accounting education can be regarded as that field of study which emphasizes the continuous and systematic development of the accounting knowledge, skills

and attitudes of man to enable him contribute positively to the growth of the society to which he belongs (Durukwuaku, 1997).

From the foregoing definition, it can be seen that accounting education bridges the gap with the knowledge, skills and attitudes acquired in the process of education. Accounting education is a valued key to upward mobility. Along with hardwork and responsibility, it is the cornerstone used by the accounting professionals to achieve productive membership in the society and, hence, the key for setting standards of professional excellence.

To qualify as a professional accountant, one is expected to have the following basic attributes, which must be acquired from training and education.

1. **Technical Skills**

The mastery of concepts, procedures, principles and techniques, which will facilitate that job in accordance with set professional standards, are basic requirements. These fundamental principles call for a member to carry out his or her professional work with proper regard for the technical and professional standard expected of him as a member.

2. **Intelligence**

The professional accountant in order to fully apply basic principles must be intellectually curious and energetic. He must have a desire to understand conflicts and ability to resolve them. He must possess tact and interpersonal skills that are required in the execution of this professional role.

3. **Personality**

An accountant must work effectively with clients, associates, and staff. He must possess personality traits, which must include the ability to get along with people. He should be able to communicate effectively and his communication must be presentable, reasonable and logical.

4. **Conduct**

A professional accountant, when fully trained, must apply decorum in whatever role he finds himself in the society. It is not enough to answer to the title “professional accountant” or parade chains of accounting certificates. Accounting education is strategic when the roles of its products are considered in a socio-economic environment.

Accounting education, therefore, should evolve from a continuing relationship and dialogue between academic on one hand, and the accounting profession on another. It should not be seen as an end in itself, especially in the production of competent accountants, but as a means of an end, which is to facilitate accountability in both public and private sectors of the economy (Ogbomo, 1997).

The objectives of training are to:

- (i) sharpen the skill of a person, be it professional skill or otherwise;
- (ii) put in place the power to disseminate information about the knowledge of the skill (Badejo, 1997, p.13)

Nigeria, being a developing country, needs a well-developed accounting profession to aid her development process. As pointed out earlier on, the only hitherto regulating and examining body for the profession is the ICAN. Before the establishment of the Institute, only a handful of Nigerian universities and polytechnics had any programme for accounting degrees or diplomas.

On a careful analysis, the accounting needs of a developing country have been found to involve three main elements (AAA, 1978, p.7) namely:

- (a) Relevant accounting and auditing standards;
- (b) Effective training of accountant; and
- (c) Recognition of the accounting function as a tool for national economic development

Before the establishment of ICAN, training for the accounting profession was provided by polytechnics (or colleges of technology) in the country, in preparation for some British professional bodies’ examinations.

Accounting did not start as a university course until 1962 when the University of Nigeria, Nsukka, was established. Following this, were the University of Lagos and the Ahmadu Bello University, both established in 1962, when accounting degree courses were included in their curricula. Although, the University of Ibadan was established in 1948, it had not included accounting as a major

course till date. Consequently, those that graduated from these universities could only be qualified as accountants by taking professional examinations.

The institutions of higher learning encountered many problems with the training of accounting graduates. There were problems of inadequate staffing, high turnover of the few available staff members, and inadequate facilities for research and teaching purposes.

Table I in appendix shows the total number of graduates of accounting from the University of Lagos between 1972/1973 and 1999/2000 academic sessions. (See appendix).

Methodology

The data for this study were collected from the secondary source. These data were got from the University of Lagos convocation ceremonies order of proceedings, the Institute of Chartered Accountant of Nigeria Membership Year Book and 18th Association of Accounting Technician (AAT) induction order of proceedings. Two institutions, University of Lagos (Accounting Department) and the Institute of Chartered Accountants of Nigeria were chosen because they provide relatively accurate and reliable records and represents a convenient sample.

Data Presentation and Analysis

The data were analysed using simple percentage to show the trend of accounting graduates from the Department of Accounting, University of Lagos from 1973 to 2000 and the Institute of Chartered Accountant category of membership between 1968 to May 2003. It was recognized that limiting the sample to just these two institutions in the education and training of accountants would restrict the extent to which findings could be generalized.

The figures in Table I in the appendix clearly show the total number of graduates in accounting from the University of Lagos between 1972/1973 and 1999/2000 academic sessions.

The department of accounting during these years was able to produce 3108 graduates. From this total number, 24 representing 0.77% graduated with first class, 371 representing 11.9% finished with second class upper division, 1,439 representing 46.3% were with second class lower division, while 1181 representing 37.99% were with third class. The result of this analysis will not be different from what is obtainable from the other 88 Nigerian universities running accounting as at this date. Therefore, the question that one can raise at this juncture is: How far has the supply coped with the demand? (Ogundele, 1991).

The department of Accounting started a postgraduate programme in the 1981/1982 academic session. Since the programme started only 124 M.Sc. Graduates were produced, 4 representing 3.2% graduated with distinction, while the remaining 124 finish with pass as shown in Table 2 in the appendix. The figures in Table 2 in the appendix also show the total number of Postgraduate students (M.Sc.) Accounting of the University of Lagos between 1981/82 and 1999/2000.

The Department of Accounting, University of Lagos since inception has only produced one Ph.D. degree holder in 1994/1995 academic session. The holders of these degrees are also first-holders in Accounting. Hence, it does not add to the total number of graduates from this school.

After its establishment, the Institute of Chartered Accountant of Nigeria, started to conduct professional examinations for its candidates in 1968. Before this date and until 1980, those that got qualification through the foreign professional examination bodies were granted automatic membership. This has led to the granting of exemption from some parts of the Institute's professional examinations to some groups of accounting graduates.

The figure in Table 3 in the appendix shows the membership as at the year 2002. The membership of the Institute was 16,043 made up of 15,492 Chartered Accountants and 19 Registered Accountants.

The total membership of ICAN as shown in the table indicates that the active were associates representing 78.88% and 19 Registered Accountants representing 0.12%.

From the total membership, there were 5,168 representing 33.36% members in practice, 745 members representing 4.81% were in government, 1,144 representing 7.38% were in statutory bodies, 7,780 representing 50.22% of the members were in commerce and industry, while 655 represent 4.22% were in educational institutions. The other members of the group are dead, retired or on suspension as indicated in the table.

The discussion of training and education of accountants in Nigeria will not be complete without mentioning the role played by the two other professional bodies, the Association of National Accountants of Nigeria (ANAN) and the Certified Public Accountants (CPA) in the training, education and examination of Nigerian citizens intending to become accountants. In fact, ANAN was founded to perform duties similar to those being performed by ICAN.

Practice of Accounting in Nigeria

The key role players in the practice of accounting in Nigeria are those organizations that are saddled with the responsibility of providing established rules and standards in the preparation of corporate financial statements, its audit and investigation.

In general, the accounting profession and the Federal Government of Nigeria have always been entwined. Before Nigeria gained political independence in 1960, it had no registered body for professional accountants. The development of the accounting profession in Nigeria became feasible only with the movement towards political independence in the country. Comparatively, however, the accounting profession lagged behind most other professions in Nigeria. It was, for instance, observed that:

Although clergymen, lawyers and doctors have been recognized as professionals in Lagos as far back as the later part of the nineteenth century... accountants were not so recognized because the handful of this group of skilled practitioners at that time were either civil servants or employees of the foreign trading companies based in Lagos (Aribaba, 1990, pp.304).

Further, the handful of accountants in the country at the time were foreigners and it was not until 1950 that Akintola Williams became the first Nigerian to qualify as a chartered accountant when he was admitted into the Institute of Chartered Accountants of England and Wales (ICAEW). By 1960 there were 15 Nigerian members of ICAEW, one Nigerian member of the Institute of Municipal Treasurers and Accountants (now the Chartered Institute of Public Finance and Accountancy) and 24 Nigerian members of the Association of Certified and Corporate Accountants (now the Chartered Association of Certified Accountants).

Conclusion

An attempt has been made in this paper to highlight the various stages of the development of accounting education in Nigeria. The various key role players have been identified. The development of the profession is a continuous exercise as long as the business environment is ever changing.

There is no doubt that there have been problems faced while there are challenges ahead. The trend in the education system of the country will have its own effect on the accounting profession. The current happening in the financial sector of the economy will also affect the profession.

Consequently, there is a need for every accountant to aspire to keep abreast of development in accounting profession, especially as it is affected by information technology. The continuing professional education programmes organized by the ICAN should be patronized by all its members from time to time to keep them informed about current issues in accounting even after their qualification as Chartered Accountants. They also need to obtain Postgraduate Degrees in Accounting and related courses.

For accounting education to grow in Nigeria, the organized private sector should get more involved in the provision of funds to enhance high quality accounting education thereby relieving the government of this task. The current trend of endowing professional chairs in accounting in our higher institutions should continue as doing so will reduce the level of labour turnover among our academics and will encourage research.

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APPENDIX

Table 1: First Degree Graduates in Accounting from University of Lagos

Academic Session/Class of Degree	1 st Class	2 nd Upper	2 nd Lower	3 rd	Pass	Total
1972/73	-	1	12	6	1	20
1973/74	2	3	11	5	-	21
1974/75	1	9	20	7	1	38
1975/76	-	-	-	-	-	N/A
1976/77	-	7	24	12	3	46
1977/78	-	10	40	12	1	63
1978/79	-	1	23	16	-	40
1979/80	2	8	51	20	6	87
1980/81	2	10	36	22	3	73
1981/82	3	10	41	5	3	62
1982/83	1	16	43	9	-	69
1983/84	-	6	57	15	7	85
1984/85	2	26	67	38	4	137
1985/86	1	20	97	16	10	144
1986/87	-	32	85	37	6	160
1987/88	-	22	64	36	9	131
1988/89	1	28	75	28	-	132
1989/90	1	23	52	38	6	120
1990/91	1	14	68	81	3	167
1991/92	-	20	48	49	1	118
1992/93	3	21	73	34	-	131
1994/95	-	4	87	141	6	238
1995/96	-	11	92	217	3	323
1996/97	2	8	56	138	13	217
1997/98	-	20	114	106	9	249
1998/99	-	21	32	24	-	77
1999/2000	2	20	71	69	-	160
2000/2001	-	-	-	-	-	N/A
Total	24	371	1439	1181	95	3108

Source: University of Lagos Convocation Order of Proceedings

Table 2: Postgraduate Degree (M.Sc. Accounting)

Academic Session	Distinction	Pass	Total
1981/82		1	1
1982/83		1	1
1983/84		2	2
1984/85		8	8
1985/86		2	2
1986/87		6	6
1987/88		4	4
1988/89		11	11
1989/90		15	15
1990/91	1	7	8
1991/92		8	8
1992/93		7	7
1994/95		12	12
1995/96		16	16
1996/97	1	11	12
1997/98	1	3	4
1998/99	1	6	7
1999/2000	-	-	N/A
Total	4	120	124

Source: University of Lagos Convocation Order of Proceedings

Table 3: Category of ICAN Membership

	Members with Practising Licences		Members without Practising Licences		Total
	Fellows	Associates	Fellows	Associate	
In practice	1,254	1,745	350	1,811	5,168
Government	68	257	90	430	745
Statutory bodies	58	200	148	730	1,144
Commerce and industry	302	770	806	5,910	7,780
Educational Institutions	48	199	142	266	655
	<u>1,730</u>	<u>3,071</u>	<u>1,536</u>	<u>9,155</u>	<u>15,492</u>

Registered Accountants under section 8(2) of ICAN Act	19
Total Membership of the Institute in May, 2002 excluding (a-d) below	<u>15,511</u>
(a) Recorded death as at May, 2000	299
(b) Memberships on Pending/Suspended list due to unresolved issues with the institute	52
(c) Retire members as at May, 2002 (by virtue of Rule 7(a)	232
(d) Members names struck off as at May, 2002 (by virtue of Rule 20 (7)	16
(e) Members names struck off as at May, 2002 (by virtue of Rule 20 (9)(1) and (3)	<u>3</u>
Total membership number given out in May, 2002	<u>16,043</u>

Source: ICAN Membership Year Book, 2002, P.V.