



# *The Nigerian* **ACCOUNTANT**

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JULY/SEPTEMBER, 2014

Vol.47, No.3



**Enabling Structures Should  
Precede Policy** — *Chidi Onyeukwu*

**AJAEGBU**

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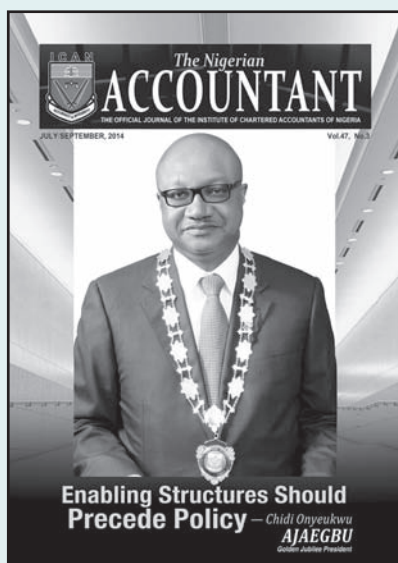
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To be a leading global professional body.

### *Mission Statement*

To produce world-class chartered accountants, regulate and continually enhance their ethical standards and technical competence in the public interest.

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## *From The Editor*

**T**he journey of a thousand miles, they say, starts with a step. This best describes the sojourn of the 50<sup>th</sup> and Golden Jubilee President of the Institute of Chartered Accountants of Nigeria (ICAN), **Mr. Chidi Onyeukwu Ajaegbu, ACS, MBF, Dip. in Polygraph (USA), FCA** who early in life chose the profession he wanted to pursue. But while doing this, hardly was he aware that he was writing his own history with a golden pen.

On Tuesday June 3, 2014 precisely, the Founder/Chief Executive Officer of Mutual Alliance and Heritage Capital Markets Ltd., was sworn in as the 50<sup>th</sup> President of ICAN, the topmost position any Chartered Accountant can attain in Nigeria.

Ironically and as providence would have it, the ICAN President who was born in the same year ICAN was established became the 50<sup>th</sup> President.

From his inaugural speech and the interview he granted *The Nigerian Accountant* entitled **"Enabling Structure Should Precede Policy,"** the ICAN President knows his onions and did not mince words in declaring that he was out to work in the interest of the public and defend the ICAN ideal by making sure that its roles are more relevant in the governance of Nigeria. He also lamented the decay in the nation's value system and promised that ICAN, in line with its public interest mandate, would continue to provide thought leadership on business, finance and economic issues to enhance the leading edge of the Chartered Accountant.

Furthermore, Mr. Ajaegbu spoke extensively on the policies of the Central Bank of Nigeria as reeled out by the incumbent Governor of the bank, Mr. Godwin Emefiele. He offered suggestions to the government on the best ways the policies could work.

\* \* \*

The 2014 Annual Dinner and Awards of the Institute was held in Lagos on April 25, 2014. The event was packaged with a difference in terms of glamour. It was a celebration of those that have contributed to the growth of ICAN and Nigeria as a country. The story on the awards is also served you in this edition. In the same vein, the proceedings of the 8<sup>th</sup> Western and 9<sup>th</sup> Northern Zonal Districts' Conferences were published for readers' delight.

Your comments on the interview and articles in this edition are welcome. Please, write to:

**[corporateaffairs@ican.org.ng](mailto:corporateaffairs@ican.org.ng)** or  
**[aowolabi@ican.org.ng](mailto:aowolabi@ican.org.ng)**

# All You Need to Know About Ebola Virus Infection

**E**bola is a rare but deadly infection that causes bleeding inside and outside the body. Although popular movies and books describe major outbreaks of ebola-like disease in the U.S., they're just works of fiction. Ebola strikes mainly in remote villages of Central and West Africa, but it has spread to some African cities, too.

The disease, also known as Ebola hemorrhagic fever or Ebola virus disease, kills up to 90% of people who are infected.



## What Are the Symptoms of Ebola?

Symptoms of the Ebola virus show up 2 to 21 days after someone is infected. As the virus spreads through the body's cells, it damages the immune system and organs. Ultimately, Ebola causes levels of blood-clotting cells, called platelets, to fall, which can lead to severe bleeding.

Many of the early symptoms of Ebola look like the flu or other mild

illnesses. They include:

- ▶ Fever
- ▶ Headache
- ▶ Muscle aches
- ▶ Sore throat
- ▶ Weakness
- ▶ Diarrhea.

As the disease gets worse, people who are infected may develop:

- ▶ Bleeding inside and outside of the body
- ▶ Rash
- ▶ Trouble breathing.

## How Can You Tell if Someone Has Ebola?

Sometimes it's hard to tell if a person has Ebola from the symptoms alone. Doctors may first test for other diseases that have the same symptoms as Ebola, such as:

- ▶ Cholera
- ▶ Hepatitis
- ▶ Malaria
- ▶ Meningitis



## ▶ Typhoid fever

Tests of the blood and tissues, such as the ELISA test, also can help diagnose Ebola.

If someone might have Ebola, they should be isolated from the public immediately to help prevent the spread of Ebola.

## How Is Ebola Treated?

Right now there is no real treatment or cure for Ebola. Doctors try to manage people's symptoms by giving them:

- ▶ Fluids and electrolytes through a vein
- ▶ Nutrition
- ▶ Oxygen.



## How Can You Prevent Ebola?

There is no vaccine to prevent Ebola. People can avoid catching the disease by not traveling to areas where the virus is found.

Health care workers can prevent infection by wearing masks, gloves, and goggles whenever they come into contact with people who may have Ebola.

## What Causes an Ebola Outbreak?

Usually an outbreak starts when someone comes into contact with the body fluids or waste of infected animals, such as monkeys, chimps, or fruit bats. Once a person is infected, he or she can then spread it to others.

There are five different types of Ebola virus that cause the disease. Four of them are known to cause the disease in humans.

The Ebola virus first appeared during two 1976 outbreaks in Africa. Ebola gets its name from the Ebola River, which is near one of the villages in the Democratic Republic of Congo where the disease first appeared. ●

([www.ebolavirus.com](http://www.ebolavirus.com))

## Could People in the U.S. Ever Get Ebola?

So far, serious Ebola cases have only shown up in Africa. Ebola can spread from country to country when people travel. So it is possible for Ebola to reach the U.S. if someone who is infected travels here on a plane. But there are safety measures in place to prevent people from coming to U.S. airports with the disease.

Airline crews are trained to spot the symptoms of Ebola in passengers flying from places where the virus is found. Crews are told to quarantine anyone who looks infected.



## How Do You Get Ebola?

You can get Ebola by coming into contact with the blood or body fluids of an animal or person who is infected.

People often get sick with Ebola when they care for or bury a person who has the disease. Someone also can catch the virus by touching contaminated needles or surfaces.



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## 2014 ANNUAL DINNER & AWARDS

# The Glitz, Colour and Glamour

**T**he 2014 edition of the Annual Dinner and Awards of the Institute held at Intercontinental Hotel, Victoria Island, Lagos, on Friday April 25, 2014, was with a difference as the event was packaged with glitz, colour and glamour.

As usual, the event was specially designed to honour and recognise individuals and corporate organisations that have distinguished themselves in greater measures by contributing to the growth of ICAN and Nigeria as a country. The awards were presented to deserving individuals and corporate bodies in three categories of Members, Non-Members and Corporate Organisations.

In his speech, the 49<sup>th</sup> President of the Institute, Alhaji Kabir Mohammed, said that apart from using the annual event to unwind, celebrate the Institute's successes and some achievers, it is also used to discuss issues of professional and national interests. "It is therefore a historic occasion to recognise and celebrate persons who, through their words, actions and professional demeanour, have demonstrated, overtime, unwavering commitment to the ideals and public interest mandate of the accountancy profession. It is therefore a joyous occasion as we also acknowledge the invaluable contributions of some corporate organisations to our society as part of their social responsibility to the nation," he added.

In his welcome address, the Chairman of Publications and Image Committee (PIC), saddled with the responsibility of organising the event, Mr. Sunday Abayomi Bammeké stressed that the annual



The 49<sup>th</sup> ICAN President, Alhaji Kabir Mohammed with Awardees and their guests at the Annual Dinner

dinner and awards was designed for members to interact and rub minds with their colleagues, friends and family members in a relaxed, stress-free and serene atmosphere.

Nonetheless, he emphasised that the Institute's awards were not meant for just anybody, but specially aimed at accomplished personalities who were well screened before final selection. "The awardees were carefully and diligently selected by the Annual Dinner and Awards Sub-Committee of the Publications and Image Committee (PIC) of ICAN and were duly approved by the Council



1<sup>st</sup> Deputy Vice President of ICAN, Otunba Olufemi Deru (right) and his wife at the Annual Dinner



The 49<sup>th</sup> ICAN President, Kabir Mohammed (left) with the Special Guest of Honour, Dr. William Babatunde Fowler at the Annual Dinner





ICAN Registrar, Mr. Rotimi Omotoso (left); Sir Ike Nwokolo (Past President); Alhaji Kabir Mohammed, the 49<sup>th</sup> President of ICAN; and Balogun Johnson Alaba Omidiora (Past President) at the Annual Dinner



Chairman, Publications & Image Committee of ICAN, Mr Abayomi Bammeke (left); Past President of ICAN, Mr. Doyin Owolabi; and 49th ICAN President, Alhaji Kabir Mohammed

of the Institute. In order to ensure that the awards do not go to undeserving recipients, we involved our members in the nomination by sending nomination forms to them to suggest distinguished persons and institutions that they feel are deserving of the awards. The end product of the exercise is what all of us have gathered here to witness tonight," he expatiated.

In the members' category, four people who received the awards for their immense contributions to accounting profession and the nation as a whole were: Mrs Adeleke Isaac Ademola, FCA; Chief (Sir) Justin Ikechukwu Nwosu, FCA; Mr. Rebo Usman Ehwan, FCA; and Mr. David Olabanji Adewale Sunmoni, FCA.

In the non-members category were Professor Eddy Olajide Omolehinwa and Alhaji Jani Ibrahim. They were honoured for their roles in the development of Nigeria.

In the Corporate Bodies category, Nigerian Security Printing and Minting Limited, was honoured. The company was recognised for its immense contributions to the economic and financial growth of the nation. ●



**THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA**  
(Established by Act of Parliament No. 15 of 1965)

## ICAN Jobs and Recruitment





### Targeted Professional Accountants recruitment

The ICAN employment initiative is a platform for job placement and recruitment services to ICAN members.

The activities of the ICAN Employment Bureau have been reviewed with a view to making it more responsive to the needs of members.

### Benefits of the Employment Bureau Portal

- It creates a ready pool of employable professional Accountants.
- It assists members to secure employments thereby rekindling their interest in the profession
- It assists in matching resumes with specification required by employers thereby reducing significantly the search time and cost to both members and employers.
- Members assisted will readily be able to meet their financial obligations to the institute.
- Employers can have recourse to the Institute in the event of poor performance or misdemeanor of any member recommended for employment.

### PROCEDURE:

- Members and Employers can access the ICAN Bureau Portal by visiting [www.icannng.com/careers](http://www.icannng.com/careers).
- Members can access the website through the use of their membership numbers and password.
- Members can do the following:
  - Post resume
  - Edit resumes
  - Upload resumes
  - Search for jobs
  - Apply for suitable available jobs

**Note.**  
Employers are required to register as an Employer before gaining access to post jobs, view and search for resumes to make selection for interview.

**Members/Employers** are encouraged to visit the ICAN website [www.icannng.com/careers](http://www.icannng.com/careers) frequently in order to maximize the opportunities provided on this platform.

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The 49<sup>th</sup> President of the Institute, Alhaji Kabir Mohammed and some Past Presidents at the public presentation of new ICAN Syllabus

## ICAN Unveils New Professional Examinations Syllabus

**I**n line with the dynamics of the global academic and professional education trend, the Institute recently launched its new professional examinations syllabus at a public presentation held on Tuesday, May 20, 2014. The event had in attendance, the 49<sup>th</sup> President, members of Presidency, Council members, Past Presidents, Management and Staff of ICAN, members of academia, owners of Tuition Houses, etc.

Speaking at the ceremony, the 49<sup>th</sup> President of the Institute, Alhaji Kabir Mohammed said that the introduction of the new examinations syllabus was necessitated by the current happenings in the global market. The new syllabus he said, consisted of 16 subjects structured into three levels, namely; Foundation, Skills and Professional Level.

He said the steps to review the old syllabus, which was launched in 2010 commenced when the Institute received a World Bank grant of \$499,030 in 2012 to finance capacity building initiatives and reposition the Institute as the leading accountancy body in the African region.

According to him, the grant was implemented through a twinning arrangement with the Institute of Chartered Accountants in England and Wales (ICAEW) and was aimed at enhancing the capacity of the Institute in three core areas namely: Governance and Capacity, Professional Qualification and Audit Quality & Regulation.

Alhaji Mohammed said the rapid advancement in information

technology had profound impact on the practice of accountancy globally. This, in his view, was made more complex by the trend towards convergence of the profession, the harmonisation of standards internationally, globalisation, the adoption of the International Financial Reporting Standards (IFRS) by Nigeria in 2012 and the increasing sophistication of businesses.

Alhaji Mohammed emphasised that these developments demand that the chartered accountant must be further equipped with the requisite skills and professional competences that would enable him separate useful information from an amalgam of complex business data strategically, but seamlessly transform them into business intelligence.

He said: "Consequently, the chartered accountant of today and tomorrow must hone his ability to multi-task, be a global player, communicate fluently like a diplomat to diverse stakeholders and provide leadership in resource generation and allocation decisions. Such proficiency can only come through a combination of proper rhetorical and practical training based on well structured, robust and appropriate training curricula".

In the new syllabus, the foundation level consists of five subjects, skills level with six subjects, while the professional level has five subjects.

## ICAN Donates Laptops, Books to Seven Higher Institutions

**I**n fulfilling its pledge to support the growth and development of accountancy education in the country, the Institute has



presented laptops and various accounting and business-related textbooks to seven higher institutions of learning.

The benefitting institutions were: The Polytechnic, Ibadan; Lead City University, Ibadan; Nigerian Army School of Administration, Ojo, Lagos; Usman Dan Fodio University, Sokoto; Waziri Umar Federal Polytechnic, Kebbi; Northwest University, Kano and Aminu Kano Commercial College, Kano.

In his keynote address at the occasion, the 49<sup>th</sup> President of ICAN, Alhaji Kabir Mohammed posited that global recession has affected all sectors of the economy, most especially the educational sector. "The ugly situation needs urgent focus, not only by government but by other stakeholders in both private and corporate organisations. The time has come for a change of attitude towards the funding of education, because the government, which has been the major financier of the educational sector is finding it increasingly difficult, if not impossible, to cope with adequate funding," he stated.

He explained further that ICAN, as a foremost professional body committed to technical excellence in line with its mandate of setting standards and regulating the practice of accountancy in Nigeria, has proactively reacted to the challenges by instituting policies to support the growth and development of accounting education in Nigeria.

He described the presentation of the computer laptops and textbooks as another milestone in the Institute's modest commitment and contribution to the development of education in the country generally and accountancy education in particular.

Speaking on behalf of other recipients, Mr. O.O. Olagbaiye of Army School of Administration thanked the Institute and promised that the beneficiaries would judiciously use the materials to improve the study of accounting in the country.



The 49<sup>th</sup> ICAN President, Alhaji Kabir Mohammed presenting a laptop to the representative of Army School of Administration and Finance, Mr. O.O. Olagbaiye

## AGF Tasks ICAN on Performance, Disaster Management, Other Emerging Audits

**T**he Auditor-General for the Federation (AGF), Mr. Samuel Ukura has appealed to the Institute to incorporate Performance Information Audit, Disaster Management Audit and other emerging audits, in its examination syllabus. He said this was a new method the Institute needs to embrace.

Ukura made the appeal in Abuja on Monday, July 7, 2014 when the 50<sup>th</sup> President of ICAN, Mr. Chidi Ajaegbu paid him a courtesy visit in his office. He added that the Institute should also assist in training the staff of his organisation in line with the best practices worldwide.

He disclosed that though some of his staff had already undergone the forensic training of the Institute and IT Audit, his organisation is currently liaising with the Institute to train its staff on practical approach to International Public Sector Accounting Standards (IPSAS).

Speaking further, Ukura explained that there had been an efficient management of the objectives of his organisation, adding that Reports were no longer in arrears as of the audits for 2009-2012 had been submitted to the National Assembly.

Earlier in his address, the ICAN President



ICAN President, Chidi Ajaegbu (left); Auditor-General of the Federation, Sam Ukura; and ICAN Council member, Dr. Etofolam Osuji during ICAN President's courtesy visit to Auditor-General's office in Abuja

had disclosed that he was in Abuja to reach out and engage strategic governance institutions with a view to exchanging ideas on how to further raise the quality of financial reporting in the public sector

He disclosed further that in view of the commencement of IPSAS and computerisation of government business, it would be expedient to put in place mechanisms and strategies to ensure that audited financial statements of the government are published six months after year end.

He pleaded with the Auditor-General to persuade more Ministries, Departments and Agencies (MDAs) to engage and use the professional services of ICAN members for assurance and related services like project monitoring to ensure value for money.

He presented the new scale of Professional Fees of ICAN to the Auditor-General, urging him to forward copies to the MDAs as appropriate and also encourage them to comply with the rates as they engage the services of chartered accountants.

## **Lack of Preparation Responsible for Poor Performance in Examinations — ICAN**

**T**he poor performance of students in examinations has been attributed to inadequate preparation for the examinations. The 49<sup>th</sup> President of ICAN, Alhaji Kabir Mohammed made this assertion recently in Lagos during the presentation of accreditation and recognition certificates to 23 tertiary institutions and eight tuition centres that have satisfied the quality control parameters of the Institute.

In his address at the occasion, Alhaji Mohammed said as a professional body committed to technical excellence, the Institute proactively began to accredit training institutions having realised that the pass rate of students of the various examinations was poor. "It is on this premise that the Governing Council of the Institute resolved to evaluate and accredit centres where potential registered students could receive appropriate and qualitative technical academic training," he added.

He stressed that in order to sustain the standard set by the Institute, the visitation teams were charged with the responsibility of ascertaining the extent to which the institutions' accountancy programmes conform with the Institute's education and training policies; evaluate the performance of the institutions with a view to ensuring that they satisfy the prescribed minimum standards of infrastructure, qualified professional staff, well-stocked library, accounting curricula and good examination procedures.

He said that a professional body which expects to be continuously relevant in the scheme of things must be prepared to equip its members with the capacity to adapt to ever changing circumstances both locally and internationally, adding that the Institute has successfully reviewed its syllabus in order to respond to these imperatives.

To ensure smooth transition to the new syllabus, he said "the Institute of Chartered Accountants in England and Wales (ICAEW) recently organised training sessions for ICAN Assessors, Examiners, Tuition Houses, Owners of Tuition Houses, members

of Examination and Student Affairs committees as well as the staff of the Institute. The review of the syllabus has taken into consideration the knowledge and skills required to meet the current changes in Accounting practice as well as meeting the essential core competencies of the profession."

## **ICAN President Solicits Partnership With Accounting Firms**

**A**s part of the programme aimed at ensuring professional upliftment and efficient service delivery by members of the Institute engaged in public practice, the President of the Institute, Mr. Chidi Ajaegbu, FCA has outlined regular and efficient interactive sessions with firms of professional chartered accountants across the country as a matter of priority during his tenure.

It was in the light of this initiative that he led members of the Institute's Presidency and Council on a courtesy visit to Babington Ashaye & Co in Lagos recently. In his remarks at the firm Mr. Ajaegbu, FCA acknowledged the professional contributions of medium sized audit firms to the nation's economy through the multifaceted services rendered to their diverse clientele.

The President said that the visit to the firm became necessary as a way of ensuring that Chartered Accountants discharge their services in accordance with the prescription of professional best practice as outlined in the Institute's ethical standards. He seized the opportunity of the visit to reiterate the standpoint of Council on its zero tolerance for members' non-adherence to the ethics of the profession in the course of discharging their professional obligations.

Mr. Ajaegbu, FCA called on partners in medium sized firms to seek international affiliations and where possible go into mergers with other firms that have positive professional reputation and clout in order to enable them imbibe the qualities of international best practices. He enjoined members of medium sized firms to always factor into their partnership agreement the business continuity clause as a way of keeping their practices alive upon their demise.

Speaking further, the President promised to constructively engage the various regulatory agencies in the country on ways of establishing a mutually beneficial and rewarding relationship with them.

In his response to the President's address, the Principal Partner of Babington Ashaye & Co., Mr. Babatunde Ajayi thanked the President for the visit while commenting on the dwindling interest by members of the Institute in the practice of Insolvency as part of their business portfolio.

## **There's No Professional Body Like ICAN, says Rector**

**T**he Rector of The Polytechnic, Ibadan, Professor Olatunde Fawole has described the Institute of Chartered Accountants of Nigeria (ICAN) as a highly respected professional body in the country and beyond. The don made the assertion in Ibadan while playing host to the 49<sup>th</sup> President of ICAN, Alhaji Kabir Mohammed



who paid him a courtesy visit.

The ICAN President had visited the Institution where he donated computers, accounting software as well as accounting textbooks to the accounting department of the Polytechnic in order to support students of the school.

While addressing the students, the ICAN boss who noted the importance of pursuing accounting profession and eventually qualifying as a chartered accountant, said ICAN supports students who wish to write the examinations of the Institute by providing them with textbooks, computers, accounting softwares as well as giving scholarships to students who graduate with distinction.

The President and members of his entourage who were alumni of the Ibadan Polytechnic made personal donations of N450,000 to assist in developing and providing social amenities for the department of accounting.

Mohammed further stated that the long relationship between the Ibadan District of ICAN and the school was appreciated and further sought for the use of members both directly and indirectly. He also solicited support for staff of the institution who are members of ICAN, by sponsoring them to trainings and other activities of the Institute.

## **ICAN Certifies 67 Forensic Accounting Experts ...as 52 Members Receive Certificate of IFRS Proficiency**

**I**n a bid to contribute to the on-going war against corrupt practices in the country, the Institute recently certified 67 of its members who have been duly trained as Forensic experts. At the ceremony held in Lagos, another 52 members were also awarded with the IFRS proficiency certificate.

While inducting the members, the 49<sup>th</sup> ICAN President of the Institute, Alhaji Kabir Mohammed said that with the spate of sophistication of fraud in the public and private sectors, the need for forensic accounting knowledge and expertise by regulators, law enforcement agencies and chartered accountants acting as external auditors, chief finance officers and heads of internal control departments of corporate entities, cannot be over-emphasised, as traditional audit skills are no longer sufficient to detect today's fraud.

His words, "Given the acknowledged credibility and technical quality of the institute's certification processes, I dare say that these graduands will definitely impact the process of value creation of their employers and clients. Indeed, they are our stars and ambassador to the business world." He charged the members to continue to fly the profession's flag of honesty, integrity and excellence in their respective spheres of influence, no matter the odds.

## **Mowe and District Society Inaugurated**

**H**istory was made again on Wednesday, May 14, 2014 as the Institute inaugurated its 50<sup>th</sup> District, Mowe and District Society. Also, the pioneer Chairman of the District, Alhaji Musibau

Lawal was invested.

In his speech, the 49<sup>th</sup> President, Alhaji Kabir Mohammed applauded the parties that contributed in one way or the other to make the inauguration of the District Society possible, adding that the addition would not only give a boost to the "spreading of the gospel of integrity and accuracy, but also advance the cause of the accountancy profession in Ogun State and Nigeria in general".

Earlier, the President and his entourage had paid a courtesy visit on the traditional ruler of the host community, Oba, Dr. Festus Makinde Oluwole, the Olu of Igbein land who assured the ICAN President of the community's support for the District and ICAN in general.

In his paper tagged, '*Building a Sustainable Economy in Nigeria*', a former Council member of the Institute, Prince Oyeade Oyedepo called on government at all levels to invest in infrastructure which would bring about improvement in the living conditions of the generality of the populace rather than using theoretical growth, in determining the gross domestic product (GDP) that has no bearing on the living standards of the people.

The President's entourage later proceeded to the Redeemer University where the Institute promised to provide three laptops and books worth a hundred thousand naira to the University. The visiting team was received by the Institution's Vice Chancellor, Professor Debo Adeyewa and other management staff of the Institution.

## **...Katsina and District Society Too**

**T**he presence of the Institute was recently boosted in the Northern part of the country with the inauguration of the Katsina and District Society of ICAN. Performing the inauguration, the 49<sup>th</sup> President of the Institute, Alhaji Kabir Mohammed, explained that the main reason for creating District Societies in all parts of the federation and abroad was to serve as liaison offices to bridge information gap between the Institute's Secretariat in Lagos and its members widely spread across the nation.

Mohammed stated further that district societies also serve as an avenue for members to interact, exchange ideas and discuss issues of professional and national interests, adding that they also help to galvanise members to form common positions on matters of peculiar relevance to their host communities.

He disclosed that the creation of district societies started as far back as the early 70s when the first district society was created in Lagos State. He explained further that the district societies were not only in Nigeria but also in the United Kingdom, United States of America, and Cameroun.

He therefore called on members of the district societies to see the creation as a call to service with great responsibility, particularly in the areas of compliance with the code of best practices and the rule of professional conduct for members.

He advised that none of them should mortgage their conscience or compromise their professional ideals of accountability, integrity and honesty for pecuniary or non-pecuniary gains, no matter the circumstance. He urged them to continue to discharge their various professional engagements with integrity, accuracy and strong ethical ideals bearing in mind that if virtues are compromised, the entire accounting profession would be brought

into disrepute.

In his acceptance address, the Chairman of the newly inaugurated district society, Dr. Apedzan Emmanuel Kighir, a seasoned chartered accountant and Lecturer, promised to do his best to take the district society to greater heights. He however appealed to members of the district to rally round him to achieve the set agenda for the progress of the district.

## Milestones

**DIED:** Mrs. Amoge A. Ani, FCA, on Saturday April 26, 2014 in a ghastly motor accident while returning to her base in Enugu after the 2014 Annual Dinner and Awards. Until her death, she was a Fellow of ICAN and a member of the Publications & Image as well as ATSWA Committees of the Institute. She has since been buried.

**APPOINTED:** Mr. Olusegun O. Banwo, FCA, to the Board of Mobil Producing Nigeria as an Executive Director/CFO. Mr Banwo, was one of the Resource Persons during the 8th Western Zonal Conference and was also instrumental to the donation of N3.5m by Mobil towards the execution of the Conference.

## New ExcOs for District Societies

### LOKOJA

Kinrin Bamidele Samuel, FCA	–	Chairman
Ayobami Precious, FCA	–	Vice Chairman
Atogo Clement, ACA	–	Treasurer
Mkpe Nicholas Osas	–	General Secretary
Adebayo Lawal, ACA	–	Auditor
Yunusa Yehuza, ACA	–	PRO
Ige Michael Oluwafemi, ACA	–	Technical Officer
Alegbeleye Olajide S., ACA	–	Welfare Officer
Adedeji Kazeem S., ACA	–	Financial Secretary
Dr. Onoja Emmanuel E., FCA	–	IPC Ex-officio
Dr. M.A. Ajanya, ACA	–	Ex-officio
Adamu Faruna, FCA	–	Patron

### IBADAN

Alhaji G.A. Adebayo (FCA)	–	Chairman
Mr. S.O. Ayansina (FCA)	–	Vice Chairman
Mrs. Temitope Babajide (FCA)	–	General Secretary
Mrs. Adebisola Akinbowale (ACA)	–	Social/Pub. Secretary
Dr. M.K. Kareem (ACA)	–	Technical Secretary
Mrs O. Oladipo (ACA)	–	Financial Secretary
Mr. P. Aderinto (FCA)	–	Treasurer
Mr. Ajibade Aderogba (FCA)	–	Assistant Secretary

Alhaji A.A. Ogunesan (FCA)	–	Ex-Officio
Mrs. Ajayi Salome (FCA)	–	Ex-Officio
Alhaji Lukman Dauda (FCA)	–	IPC

### BENIN

Mr. Iserhienrhien Efe, ACA	–	Chairman
Mr. Abraham Olufola Sunday, ACA	–	Vice Chairman
Mr. Airhunmwunde Minister, ACA	–	General Secretary
Mr. Okoruwa Osaretin C., ACA	–	Treasurer
Mrs. Betty Igbineweka, FCA	–	Financial Secretary
Mr. Ugbogbo Sunny, ACA	–	Technical Secretary
Mr. Emuze Godson, ACA	–	Social/Pub. Secretary
Mr. Odudu Daniel, ACA	–	Asst. General Secretary
Alhaji Razak O. Olaowo, FCA, IPC	–	Ex-Officio
Mr. Otoide Felix, FCA	–	Ex-Officio
Mr. Shirley-West Eboigbe, ACA	–	Ex-Officio

### ASABA

Deacon Richard O. Erinmwingbovo, FCA	–	Chairman
Mr. Emmanuel Efurhievwe, FCA	–	Vice Chairman
Mr. Sylvester K. Okoh, ACA	–	Secretary
Mr. Cosmas Onyenaju, ACA	–	Asst. Secretary
Mrs. Mary Aganoke, ACA	–	Treasurer
Mr. Iyare O. Mordi, ACA	–	Financial Secretary
Mr. Ifeanyi Nwadei, ACA	–	Technical Secretary
Mr. Akiri Ogheneriobororue, ACA	–	Social/Pub. Secretary
Mrs. Grace B. Laya, FCA	–	Ex-officio
Mr. Onyemaechi Ekeruche, FCA	–	Ex-officio
Mrs. Ejiroghene Jacdonmi, ACA	–	Ex-officio

### U.K.

Dr. Ben Ukaegbu, ACA	–	Chairman
Ms. Flora Njoku, ACA	–	Vice Chairman
Mr. Funso Ajayi, FCA	–	General Secretary
Mr. Moses Peters, FCA	–	Treasurer
Mr. Chibuzo Okpala, ACA, FCCA	–	Technical Secretary
Ms. Nnenna Anyanwu, ACA, FCCA	–	Social/Pub. Secretary
Mrs. Bim Osunsami, ACA, FCCA	–	Asst. General Secretary
Mr. Doyin Adebayo, FCA, FCCA	–	Ex-Officio
Mr. Dokun Omiyale, ACA, ACMA	–	Ex-Officio (Ring-fenced)
Mr. Omusa B. Ohyoma, ACA, FCCA	–	Immediate Past Chair



# A PUBLIC SERVICE STATEMENT ON THE PROLIFERATION OF FOREIGN ACCOUNTANCY BODIES IN NIGERIA

In response to enquiries from Nigerian students and the general public on the proliferation of foreign accountancy bodies operating in Nigeria without the required enabling Act from the National Assembly, The Institute of Chartered Accountants of Nigeria (ICAN), as part of its public Interest mandate, wishes to state as follows:

1. Only two bodies are chartered in Nigeria by the legislature to license professional accountants. These bodies are The Institute of Chartered Accountants of Nigeria (ICAN) and the Association of National Accountants of Nigeria (ANAN).
2. Students who sit the examinations of foreign professional bodies cannot practise in Nigeria without being admitted as members of ICAN or ANAN. In the public interest, ICAN will still test candidates in subjects peculiar to the Nigerian market and assure that required experience is obtained before candidates are licensed to practise. The training of ICAN is strictly based on three “Es” namely: **Education, Examination and Experience.**
3. Under the 2014 Examination Syllabus of ICAN, holders of ACCA and many other foreign professional accountancy certificates will still be tested in **Business Law (BL), Advanced Taxation (ATAX) and Public Sector Accounting and Finance (PSAF).** CIMA holders will in addition be tested in **Advanced Audit and Assurance (AAA).**
4. The examination syllabus and education requirements of ICAN are guided by International Federation of Accountants’ (IFAC) International Education Standards for Professional Accountants issued by the International Accounting Education Standards Board (IAESB). ICAN is also a signatory to IFAC’s Statements of Membership Obligations (SMOs).
5. ICAN wishes to reaffirm its public interest mandate to provide the Nigerian economy with qualified and ethical professional accountants that can compete with their peers globally. We therefore call on parents, students, regulators, employers, law-enforcement agencies and the general public to be guided by this announcement.

The Institute of Chartered Accountants of Nigeria (ICAN) was established by Act of Parliament Number 15 of 1965 and is a founding member of International Federation of Accountants (IFAC), Pan African Federation of Accountants (PAFA) and the Association of Accountancy Bodies in West Africa (ABWA).

ICAN is empowered to set standards of knowledge and skills to be attained by persons seeking to become members of the accountancy profession in Nigeria. The Institute has more than 39,000 members and 120,000 students on its registers and conducts professional examinations twice in a year. Its vision is to be a leading global professional body while its mission is to produce world-class Chartered Accountants, regulate and continuously enhance their ethical standards and technical competence in the public interest.

The Institute is engaged in broadening the frontiers of the profession in Africa by mentoring sister professional accountancy bodies for international recognition.

## ICAN Bids Past President Farewell

The 50<sup>th</sup> President of the Institute, Mr. Chidi Ajaegbu, the Governing Council, Past Presidents, Members and Management Staff on Tuesday, June 10, 2014 gathered at the Institute's Secretariat in Victoria Island, Lagos to bid one of the Past Presidents, **Late Venerable Ayodele Odukoya, FCA** farewell. Venerable Odukoya who died on Tuesday, May 27, 2014 was ICAN President from 1971-1972.

Speaking at the Special Council meeting in his honour, Mr. Ajaegbu posited that death was a necessary end that would come when it is time. Quoting from the book of Ecclesiastes chapter 3 verses 1-2 in the Bible, The ICAN President acknowledged that everything in life has a season.

"There is a time to be born, and a time to die, a time to plant, and a time to pluck what is planted. Therefore, it can be said that it is not how many years a person lives that matters, but the contribution and impact that one makes to the development of the society, nation and professional body that counts", he declared.

Eulogising late Odukoya, Mr Ajaegbu recounted the numerous contributions he made to the development of ICAN, saying that he was one of the founding fathers of the Institute who rose to become its President from 1971-1972.

"During his tenure, the first Annual Accountants' Conference was held at the University of Lagos. Also notable during his presidential year was the launching of the Institute's journal - *The Nigerian Accountant*. He imprinted his name in the Institute's roll of Honour when he donated the sum of five million naira towards the building of ICAN Annexe office in Ebute Metta, Lagos. In appreciation, the Institute's library at Ebute Metta was named after him. He truly had a soft spot for his beloved Institute until death," Ajaegbu recounted.

## Let Accuracy and Integrity be Your Guiding Principle – Ajaegbu

The newly inducted members of the Association of Accounting Technicians West Africa (AATWA) have been advised to make the motto of the Institute - Accuracy and Integrity - their guiding principle. The Golden Jubilee President of the Institute, Mr. Chidi Ajaegbu gave this advice at the 40<sup>th</sup> induction ceremony of the Association of Accounting Technicians where 466 persons were inducted into the over 17,000 membership of the Association.

Speaking to the new inductees, Mr. Ajaegbu noted that their admission into the Association marks the beginning of an honourable professional career path that offers a self-fulfilment, social respect and unrestricted prestige. He reiterated the Institute's concern in the creation of more employment opportunities for holders of the AATWA qualification.

"It will however interest you to know that in order to improve



ICAN President, Mr. Chidi Ajaegbu (middle), widow of the deceased, Mrs. Taiwo Odukoya (2nd right) flanked by Past Presidents of ICAN and children of the deceased standing behind

the employment prospect of AAT Certificate holders, the Institute has continued to embark on visitation to potential employers so that that the right level awareness is created not only about the qualification, but also about the vast potentials of its holders," he said.

In his paper presentation, the guest speaker, Mr. Pedro Omontuemhen of Pricewaterhousecoopers who represented Mr. Ken Igbokwe, reeled out what was expected of an Accountant, which he urged the new members to emulate. He said: "A professional accountant should comply with relevant laws and regulations and should avoid any action that discredits the profession. This includes actions which a reasonable and informed third party, having knowledge of all relevant information, would conclude negatively affects the good reputation of the profession."



The 50th President of ICAN, Chidi Ajaegbu presenting ICAN award to Yewande Oyebusola Akinsulire as the best female graduating student of the Association of Accounting Technicians of West Africa at the 40th induction ceremony



# Road Map to Success, Think **ICAN**



- ICAN opens doors to a wide range of career opportunities in a ll areas of industries, commerce, finance and manufacturing sectors both locally and internationally.
- ICAN allows you to specialize in a technical aspect of accountancy such as corporate recovery, forensic accountancy, corporate finance or taxation.
- ICAN takes you to the peak of private sector, public sector or non-profit organizations.
- ICAN helps you to become a successful entrepreneur.

More so, with its twinning arrangement with the Institute of Chartered Accountants in England and Wales (ICAEW) and The Chartered Institute of Public Finance and Accountancy (CIPFA), which promises to deliver many positive outcomes including parity with international comparators and benchmarks, ICAN qualification serves a great benefit to you.

## Find out more information

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t: +234 01 7642294-5, 7642297-8  
e: [corporateaffairs@ican.org.ng](mailto:corporateaffairs@ican.org.ng)

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**THE INSTITUTE OF CHARTERED  
ACCOUNTANTS OF NIGERIA**  
(Established by Act of Parliament No. 15 of 1965)

## FROM OTHER BODIES

### IAASB Releases 2013 Annual Report

**T**he International Auditing and Assurance Standards Board (IAASB) has released its 2013 Annual Report, *Shaping New Solutions to Global Issues*. The 2013 Annual Report summarises the IAASB's work to develop in the public interest high-quality international auditing, review, other assurance, quality control, and related services standards.

The Report also spotlights the board's extensive 2013 outreach initiatives aimed at keeping its stakeholders informed of the board's standard-setting activities, and promoting the adoption and effective implementation of its international standards.

"The IAASB engaged in a broad range of standard-setting and related initiatives in 2013 aimed at enhancing the quality and consistency of practice internationally, and thereby strengthening the public's confidence in the global auditing and assurance profession. Our work this year included progressing the development of new and revised standards for auditor reporting and auditing financial statement disclosures, to finalising a new framework for audit quality and an enhanced international standard for assurance engagements," noted IAASB Chairman Prof. Arnold Schilder.

"We remain committed to our public interest mandate, especially as the environments for audit, other assurance and related services engagements evolve, and are encouraged that our efforts are seen to contribute to solutions for today's global issues."

The Annual Report also includes a report from the Prof. Linda de Beer, Chairman of the IAASB Consultative Advisory Group (CAG), which outlines the work of the CAG in providing input to the IAASB. The Annual Report can be downloaded at [www.iaasb.org](http://www.iaasb.org).

### ...Notes Progress Toward a Single, Robust Language for Audit

**A**s today's global economy becomes increasingly interconnected, the International Auditing and Assurance Standards Board (IAASB) is pleased to note that the number of jurisdictions using, or committed to using, the clarified International Standards on Auditing (ISAs) has passed 100, marking an important achievement in global convergence.

The ISAs were thoroughly re-drafted and revised during the IAASB's Clarity Project, which finished in early 2009. Since then, the IAASB has monitored the uptake of the clarified ISAs. With the recent addition of several African countries, a development noted by IAASB Chairman Professor Schilder, during his recent speech in Cameroon in May, there is significant use of the clarified ISAs across six continents.

"We have seen a steady increase in the use of the Clarified ISAs over the years, with the ISAs also now translated into many languages. This demonstrates the importance the global community attaches to a set of global auditing standards that can be used for high-quality audits in both the private and public sectors," noted Prof. Schilder.

### IPSASB Publishes Response to the Public Consultation Paper on Its Future Governance

**T**he International Public Sector Accounting Standards Board (IPSASB) has submitted its response to the consultation paper on its future governance. The response expresses the IPSASB's support for establishing a separate monitoring and oversight body for the IPSASB, while keeping it under the auspices of IFAC, but also presents two alternatives for consideration. The Consultation Paper was issued by the IPSASB Governance Review Group, which is chaired by representatives from the World Bank, International Monetary Fund, and Organisation for Economic Cooperation and Development. This includes representatives from the Financial Stability Board, the International Organisation of Securities Commissions, and the International Organisation of Supreme Audit Institutions.

### Enhancements to Auditing Standards Focused on Financial Statements Disclosure Proposed

**T**he International Auditing and Assurance Standards Board (IAASB) has released for public comment proposed changes to the International Standards on Auditing (ISAs) to clarify expectations of auditors when auditing financial statement disclosures.

The proposals include new guidance on considerations relevant to disclosures from when the auditor plans the audit and assesses the risks of material mis-statement, to when the auditor evaluates misstatements and forms an opinion on the financial statements.

"Addressing financial reporting disclosures has always been an integral part of an audit of financial statements in accordance with the ISAs. Over the past decade, however, financial reporting disclosure requirements and practices have evolved, and disclosures now provide more decision-useful information that is often more narrative and subjective in nature," notes IAASB Chairman Prof. Arnold Schilder. "This gives rise to challenges from an auditing point of view, and the proposals enhance certain areas in the ISAs to support the proper application of the standards' requirements."

The IAASB's work has been informed by the feedback to its January 2011 Discussion Paper, *The Evolving Nature of Financial Reporting: Disclosure and Its Audit Implications*. The board has also benefited from liaison and outreach with stakeholders, including accounting standard setters, which are also actively exploring initiatives relating to disclosures. The IAASB acknowledges that many of the issues around disclosures cannot be solved by the IAASB alone, and that collaboration and cooperation between many interested stakeholders is necessary to further enhance the public's confidence in financial statement disclosures.

"Public confidence in financial reporting can be damaged when there are poor quality disclosures, including excessive or immaterial disclosures that may obscure understanding of important matters. This can result, for example, when disclosures are prepared and audited relatively late in the financial reporting process," notes IAASB Technical Director James Gunn. "One of the key areas addressed in the board's proposals, therefore, is additional guidance



to help establish an appropriate focus by the auditor on disclosures and encourage earlier auditor attention on them during the audit process, including disclosures where the information is not derived from the accounting system.”

#### **How to Comment**

The IAASB invites all stakeholders to comment on the IAASB Exposure Draft of proposed changes to the ISAs to address disclosures in an audit. To access the Exposure Draft or submit a comment, visit the IAASB’s website at [www.iaasb.org](http://www.iaasb.org). Comments are requested by **September 11, 2014**.

## **IFAC Expresses Satisfaction with Recent Developments in Government Accounting**

**T**here are positive signs the sovereign debt crisis is easing. The Greek and Portuguese governments have re-entered the bond markets and Portugal is poised to become the second Euro-zone country, after Ireland, to exit its bailout arrangements.

Therefore, it is timely to reflect on what has been done since the bailout programs were introduced and since lenders to the Greek government wrote off significant losses on their debt holdings. Austerity measures have been implemented and government cash reserves built up, but much still needs to be done to raise the general standard of government reporting, transparency, and accountability.

We must not forget too quickly the lessons of poor government reporting — that in some cases was misleading.

At the heart of the issue remains a concern: private sector companies raising funds from investors on the capital markets are required to provide audited, accrual-based, financial statements, yet too many governments — even ones with bonds on the capital markets — don’t follow the same practices. In fact, many do not even use accrual accounting.

It has now been over a year since the G-20 Finance Ministers and Central Banks Governors’ Meeting in Moscow declared a “goal of strengthening the public sector balance sheet” and of “looking at transparency and comparability of public sector reporting, and monitoring the impact of financial sector vulnerabilities on public debt.”

An integral part of promoting such transparency and comparability is accrual-based financial reporting in accordance with high-quality, globally-accepted standards, such as the International Public Sector Accounting Standards (IPSASs).

As one response to the G-20, the International Monetary Fund (IMF) and World Bank — along with the Organisation for Economic Co-operation and Development (OECD) — have progressed a review of the governance of the International Public Sector Accounting Standards Board (IPSASB). Additionally, the European Commission, through Eurostat, initiated work to consider how public sector financial reporting can be improved within the European Union. It noted that IPSASs “represent an indisputable reference for potential development of European standards.”

“IFAC is encouraged by several initiatives that are currently underway; in particular, strengthening the current governance arrangements of the IPSASB will further enhance the credibility of IPSASs and their influence on public sector financial reporting,” said

Fayezul Choudhury, Chief Executive Officer of IFAC. “However, there is much more that needs to be done, and we believe that the G-20 has a key role to play in ensuring that momentum is maintained and governments recognise the benefits of enhancing financial management and reporting — to ultimately improve transparency and accountability.”

IFAC strongly recommends that, throughout 2014 and into the coming years, the G-20 — in particular, finance ministers and central bank governors — continue to focus on this critical matter. To promote greater adoption of IPSASs, IFAC believes that these standards should be added to the Financial Stability Board’s list of standards that are designated as deserving of priority implementation.

Furthermore, as part of its key strategic focus IFAC will continue to promote the need for enhanced public sector reporting and financial management through its recently launched *Accountability Now!* initiative, which aims to promote awareness of the issue, facilitate guidance on implementation of IPSASs, and encourage the development of needed technical capacity.

## **James Gunn Appointed IFAC Managing Director, Professional Standards**

**T**he International Federation of Accountants (IFAC) has announced the appointment of James Gunn as Managing Director, Professional Standards. Mr. Gunn’s appointment is effective at the end of June 2014, upon the retirement of Jim Sylph.

As Managing Director, Mr. Gunn will be a resource and key source of advice to the chairs of the independent standard-setting boards and oversee the senior management of the boards. He will serve as a spokesperson for the boards and, with the boards’ chairs, establish and maintain relationships with key stakeholders. The position reports functionally to the chairs of the standards boards, and administratively to IFAC’s Chief Executive Officer (CEO). Mr. Gunn will also be the primary liaison between the independent standard-setting boards, the Monitoring Group, and the Public Interest Oversight Board (PIOB), as well as between the boards and IFAC.

“Having someone with James’ experience and knowledge in this role will continue to safeguard the independence of the standard-setting boards, while ensuring the continuation of a sound working relationship with the PIOB, IFAC, and other international groups,” said Fayez Choudhury, IFAC’s CEO. “In this position, James will contribute to the ongoing discussions with the Review Group developing proposals for the most appropriate oversight arrangements for the International Public Sector Accounting Standards Board.”

Currently, Mr. Gunn is the Technical Director of the International Auditing and Assurance Standards Board (IAASB), a board he has served for over a decade. In this position, Mr. Gunn has managed and overseen the activities of the board and its staff, and played a pivotal role in representing the board, building relationships, and conducting outreach with international stakeholders in more than 35 countries around the world. Mr. Gunn’s career began in the early 1990s with KPMG in its Canadian audit practice, and included a term in its national office. ●

# ICAN Elects New President, Other Officers

The Institute of Chartered Accountants of Nigeria, ICAN, has elected new officers to run its affairs for the next one year. **Mr. Chidi Ajaegbu, ACIS, MBF, Dip in Polygraph (USA), FCA** emerged as the 50<sup>th</sup> President. His investiture took place after an election on Tuesday, June 3, 2014 at the Institute's Secretariat in Victoria Island, Lagos.

Also elected were: **Otunba Samuel Olufemi Deru, FCA** as Vice President; while **Deacon Titus Alao Soetan, FCA** and **Alhaji Isma'ila Muhammadu Zakari, mni, BSc, FCA** were elected 1<sup>st</sup> and 2<sup>nd</sup> Deputy Vice Presidents respectively. **Mrs. Joy Onome Olaolu, BSc, MSc, ACPIN, FCIB, FCA** became the Institute's Honorary Treasurer.



**Mr. Ajaegbu, Onyeukwu Chidi**, is the Founder/Chief Executive Officer of Mutual Alliance (member of the Nigerian Stock Exchange, and Heritage Capital Markets Ltd. He is a Fellow of the Institute of Chartered Accountants of Nigeria (ICAN); an Associate of the Chartered Institute of Stockbrokers (CIS). Ajaegbu is a philanthropist of repute who currently runs the Chidi Ajaegbu Educational Foundation which awards scholarship every year to over 100 students of tertiary

institutions in Abia and Lagos States respectively.

He has served the Institute in various capacities as Chairman, Deputy Chairman and member of various committees. He has been a member of ICAN Governing Council since 2001. As the Honorary Treasurer of the Institute in 2010, he conceptualised and drove the Institute's Members' Group Life Insurance Policy; the E-settlement process and developed strategic initiatives with various external partners (Airlines and Hotels, etc). It is on record that during his tenure as the Treasurer, the Institute's cash reserve grew by 300%. This earned him a commendation by the Past Presidents of the Institute.

He was Vice President (2013/2014), 1<sup>st</sup> Deputy Vice President (2012/2013), 2<sup>nd</sup> Deputy Vice President (2011/2012). He has also served the accounting profession and the public in numerous capacities, as Council member, Association of Accountancy Bodies in West Africa (ABWA) 2013; Treasurer, Association of Accountancy Bodies in West Africa (ABWA) and Member of the Board of Pan African Federation of Accountants (PAFA).

He attended Government College, Surulere, Lagos (1982 – 1984) GCE A' Levels; Government College, Surulere, Lagos (1977 – 1982) WASC. He trained and qualified as a Chartered Accountant in Binder Balogun & Co. (BDO) 1984 – 1988. He holds a Masters degree in Banking and Finance from University of Lagos and a Diploma in Psycho Physiological Detection of Deception from the American International Institute of Polygraph (Stockbridge, Atlanta Georgia, USA).

**The Vice President, Otunba Olufemi Deru**, is a fellow of the Institute of Chartered Accountants of Nigeria (FCA) and a Fellow of Chartered and Certified Accountants of United Kingdom (FCCA); an Associate member of the Institute of Secretaries and Administrators (ACIS); Fellow of Nigerian Institute of Management (FNIM) and Justice of Peace (JP) of Ogun State, Nigeria.

Femi Deru worked in various capacities in the United Kingdom – as a Chief Tax Officer in Her Majesty's Tax Office in Grosvenor District, Central London and Barnet District in Hertfordshire, UK. He worked as the Group Management Accountant of Berec Group in London. He joined Berec Nigeria Plc in 1972, where he worked as Chief Accountant and Company Secretary; Finance Director; Deputy Managing Director; Acting Managing Director and as Chairman from 1972 to 1998.

He was a Senior Associate Consultant with Omolayole and Associates, a leading management consultant outfit in Lagos. He is also the Managing Consultant of Femi Deru & Associates. He served as Coordinator and Secretary to Council Nigerian Institute of Management 1995–1996. He was a Council member of the Lagos Chamber of Commerce and Industry since 1982; Chairman, Industrial Group 1995 to 1998; Honourary Treasurer 1999 to 2002; Vice President from 2003; Chairman, Tenders Board 2003 to 2005 and Chairman, Trade Promotion Board, the organisers on behalf of Lagos Chamber of Commerce and Industry of the Lagos International Trade Fair.

Otunba Femi Deru became the President of the Lagos Chamber from 2009 to 2011 and was elected a member of Council of the Federation of World Chambers of Commerce from 2011 to 2013. Deru served as the Administrator (Chief Executive) of the Institute of Chartered Accountants of Nigeria in 1994 and was elected Council member from 2002; Chairman of Annual Accountants' Conference from 2003 to 2005 and Honourary Treasurer 2009. He was 2<sup>nd</sup> Deputy Vice President 2012/2013 and 1<sup>st</sup> Deputy Vice President 2013/2014.

He is a Rotarian and served as District Treasurer, Rotary International District 9110 (Ogun and Lagos States) in 1989/90 and





was President of Rotary Club of Ikeja 1996 to 1997.

He represented the Organised Private Sector at various seminars, courses, fora and conferences in Nigeria and overseas where he made very valuable contributions.

He is on the board of private and public companies. Otunba Olufemi Deru bagged many awards and recognitions.

**The 1st Deputy Vice President, Deacon Titus Alao Soetan**, is a Fellow of the Institute of Chartered Accountants of Nigeria and the Senior Partner, Baker Tilly.

He commenced his professional career as Accounts Clerk at W.N. Housing Corporation (1972 to 1973). He was the Accountant, Nigerian Television Authority (1978 – 1979). He was Audit Senior Manager at Z.O. Ososanya & Co (1979 – 1985) and became Partner, Z.O. Ososanya & Co (1985 – 1998). He was Partner, Oyelami Soetan Adeleke & Co (1998 to 2005) and Senior Partner in the same firm (2005 – 2008) before moving to Baker Tilly.

He attended Premier Grammar School, Abeokuta (1967 – 1971), where he obtained WASC (Division One). He also attended The Polytechnic Ibadan (1973 – 1975) and made a distinction in OND Accountancy. He was also at the City of Birmingham Polytechnic, U.K. (1976 – 1977) where he qualified as ACCA.

Soetan has been a Council member of ICAN since 2004 and has served on various committees and sub committees either as member or Chairman. He is a versatile paper presenter and resource person at various levels of the Institute. He was member, Governing Council of Nigerian Accounting Standards Board (NASB); member, Budget Committee, Nigerian Baptist Convention (2000 – 2009); and Chairman, Nigerian Baptist Bookstore Limited (2001– 2009).



**The 2<sup>nd</sup> Deputy Vice President, Alhaji Isma'ila Muhammadu Zakari** is a Fellow of the Institute of Chartered Accountants of Nigeria (ICAN) and a member of the ICAN Governing Council since 2004. He has served on many ICAN Committees. He is currently Chairman, Professional Examinations Committee and also Deputy Chairman, Insolvency and Corporate Re-engineering Faculty. He is also a Fellow of the Business

Recovery and Insolvency Practitioners Association of Nigeria (BRIPAN) where he also serves as Council Member.

He is a member of the National Institute, mni, having successfully attended Senior Executive Course No. 33, 2011 at the National Institute for Policy and Strategic Studies (NIPSS) Kuru Jos.

He is currently the Managing Partner of Ahmed Zakari & Co. (Chartered Accountants), a firm he co-founded in partnership with other professional colleagues in 1998 providing Auditing & Assurance, Tax Advisory, Insolvency and Business Consulting and Business Valuation services to a wide range of clients in Nigeria. As Managing Partner, he is responsible for providing leadership

and strategic direction to a resourceful team of multi-disciplinary professionals providing high quality client service engagements creating value for numerous clients in the private and public sectors.

He has attended numerous training courses and is a regular speaker in the fields of Accounting, Auditing, Taxation, Corporate Finance, Insolvency, Leadership and Practice Management.

He is actively involved in serving the public interest and the development of his community. He serves on the Board of Trustees of Jigawa Forum in his home state – Jigawa State, Nigeria.

**The Honorary Treasurer, Mrs. Joy Onome Olaolu**,

is an Executive Director with Fidelity Bank Plc. She is the Chairperson of Society for Women Accountants of Nigeria (SWAN). Mrs. Olaolu has served the Institute of Chartered Accountants of Nigeria in various capacities such as Member, Deputy Chairman, Chairman and Secretary of various committees. She has also served as President, Vice President, Patron and Trustee of various associations.



Prior to her current position as Executive Director in Fidelity Bank, she was Manager/Senior Manager at the Bank from 1997 – 2001. She became Assistant General Manager in 2001. She was elevated to DGM, Transaction Support and Head Operations Bank Wide in 2002. From 2003 – 2005, she was DGM, Credit and Marketing. In 2005, she moved up to become General Manager, Risk Management. Mrs. Olaolu started her professional career as Treasury and Investment Accountant at Texaco Nigeria Plc from 1987 – 1990. She later moved to Intercontinental Bank Plc as Assistant Manager in 1990 – 1992.

She is a Fellow of the Institute of Chartered Accountants of Nigeria, a Fellow of the Chartered Institute of Bankers of Nigeria (FCIB), Associate member of Nigerian Institute of Management (ANIM), an alumnus of American International Banking Summer School (2001) and alumnus of Lagos Business School (1998) as well as an Associate Member of Certified Pension Institute of Nigeria (ACPIN).

She attended Federal Government College, Enugu from 1973 to 1977 and passed her WASC examination in Division One. She proceeded to the Federal Government College, Warri from 1977 – 1979 where she obtained her Higher School Certificate (H.S.C). She got admitted to the University of Benin, Benin-City, in 1979 and Graduated in 1982 with BSc degree in Accounting in the Second Class Upper Division. She later proceeded to the University of Lagos, Akoka, for her MSc, Banking and Finance in 1997.

She has attended several local and foreign courses and seminars in reputable institutions such as Harvard Business School, Boston, Massachusetts, USA; Wharton Business School, University of Pennsylvania, Aresty Institute of Executive Education; Philadelphia, USA; International Federation of Accountants (IFAC) World Congress – Kuala Lumpur, Malaysia

**The new officers will serve in their present capacities for one year (2014 – 2015).** ●

# ICAN to Partner FG to Build a Progressive Society

## — Chidi Ajaegbu



The Golden Jubilee President, Chidi Ajaegbu (middle) being decorated with the insignia of office by ICAN Registrar, Rotimi Omotoso (left) and Immediate Past President of ICAN, Kabir Mohammed



Doyin Owolabi (ICAN Past President) (left); Abia State Governor, Theodore Orji; 50<sup>th</sup> ICAN President, Chidi Ajaegbu and Immediate Past President of ICAN, Kabir Mohammed soon after Ajaegbu's investiture



50<sup>th</sup> ICAN President, Chidi Ajaegbu with Past Presidents after his investiture

**T**he Golden Jubilee President of the Institute, Mr. Chidi Onyeukwu Ajaegbu has assured that the Institute will partner with and support the government in its quest to build a progressive society.

Speaking at his investiture as the 50<sup>th</sup> President of ICAN held on June 3, 2014 in Lagos, Ajaegbu noted that the Institute would play leadership role in influencing public policy, standards and regulations in the public interest.

"As the conscience of the nation, our Institute will be at the forefront of the crusade to curb sharp practices in the society, by promoting compliance to global best practices and proactively raising the bar of accountability and transparency in governance. We will continue to provide technical support to government to ensure that the on-going transition to International Public Sector Accounting Standards, as the new financial reporting framework, is pursued to its logical conclusion. We shall sensitise the public and private sectors about the irreversible match towards accrual accounting (IPSAS) and IFRS respectively," he added.

Also elected to serve with Ajaegbu for the next one year were: Otunba Olufemi Deru, FCA, as Vice President, Deacon

Titus Alao Soetan, FCA as 1<sup>st</sup> Deputy Vice President and Alhaji Isma'ila Muhammadu Zakari, BSc, FCA as 2<sup>nd</sup> Deputy Vice President. Mrs. Onome Joy Olaolu, BSc, MSc, ACPIN, FCIB, FCA was appointed the Honorary Treasurer of the Institute.

According to Mr. Ajaegbu, the Council under his leadership will continue to provide thought leadership on business, finance and economic issues to enhance the leading edge of the chartered accountant, in line with the public interest mandate.

Declaring the theme of the Presidential year as **"Promoting Public Interest: Enhancing Professionalism"**, he said: "I am aware of the huge expectations for the Council under my leadership to restore the relevance of the Institute and the accountancy profession and move ICAN to the next level. Therefore,

this investiture is a clarion call to service. I therefore make a solemn declaration that I will not disappoint you, God helping me, irrespective of the challenges. I will defend the ICAN ideal at all times."

Ajaegbu promised to pursue the enhancement of ICAN's global profile by strengthening the Institute's network of professional and technical relationships with the Pan African Federation of Accountants (PAFA) and International Federation of Accountants (IFAC). ●



50<sup>th</sup> ICAN President, Chidi Ajaegbu with Council members after his investiture



President Chidi Ajaegbu with his family members after the investiture ceremony



# INAUGURAL ADDRESS

By **CHIDI ONYEUKWU AJAEGBU,**

ACS, MBF, Dip in Polygraph( USA), FCA

*on his Investiture as the 50th & Golden Jubilee President of The Institute of Chartered Accountants of Nigeria at the Council Chamber of the Institute on Tuesday, June 3, 2014*

## PREAMBLE

Today marks a significant milestone in the Accountancy Profession as its foremost institute on the African continent, the Institute of Chartered Accountants of Nigeria bestows on me with the mantle of leadership as its 50<sup>th</sup> and Golden Jubilee President. I am greatly honoured by your esteemed presence at this unique and seamless transition ceremony specially organised to formally present to me the insignia of office following my unanimous election by the ICAN Governing Council at a special meeting held on Thursday, May 22, 2014.

The tradition of civility and enduring legacy of resilient and rancor-free succession process which you have just witnessed bears eloquent testimony to the foresight, brilliance and ingenuity of the founding fathers of this leading pioneer accountancy body, the great Institute of Chartered Accountants of Nigeria, many of whom are present here today. As virtuous men and women, these heroes and heroines of our time, gave their all for successive generations of professionals amongst whom I am a proud beneficiary. They suffered denial for our today to flourish. I can declare, without equivocation, that the creative dedication of this special breed has made our career, our aspiration, our dream fulfilled and above all, our world a better place – **Can you imagine a society without Accountancy and Chartered Accountants?**

While saluting their courage, dedication and cumulative contributions that have given us this enviable and glorious heritage, I dare say, that the best tribute we can pay to them is to continue in that noble path of truth, integrity, selfless service and commitment to the common good which they charted. We must align our today's objectives with theirs in order to create a unity of purpose and a sustained match towards their glorious vision of fifty years ago. As Helen Keller noted, ***"the world is moved along, not only by the mighty shoves of its heroes, but also by the aggregate of tiny pushes of each honest worker"***. As honest leaders and apostles of your values, we irrevocably commit to build on the solid foundation you have graciously laid. My God will continue to bless you all with long life and abundant good health. Amen.

## ACCEPTANCE

It is therefore with great humility and all sense of responsibility that I accept my election and investiture as the 50<sup>th</sup> and Golden Jubilee President and indeed, the flag-bearer of the Institute in the 2014 and 2015 Presidential year. I give God the glory for giving me the grace to attain this height which, undoubtedly, is the zenith of my professional career which commenced in 1984 when I was

employed as an audit trainee and subsequently qualified as a Chartered Accountant in the renowned accounting firm of Binder Balogun & Co (BDO). I heartily dedicate this to my parents who bore the burden of my birth, socialisation and taught me the most.

## TRIBUTE

As we savour the joy of this accomplishment and fulfillment of one of my lifelong dreams, I would like to specially recognize and acknowledge some of the legion of great and sound minds who positively impacted my professional life with the ideals of scholarship, diligence, determination, courage, focus, service and integrity. In no particular order, I salute His Excellency, Chief Ugochukwu S. Nwankwo, FCA; Chief Adeboye O. Badejo, FCA; Chief (Dr.) A.A. Ani, MON, FCA; Prince J.A.A. Adebayo, FCA; Mr. Ayo Oni, FCA; Maj-Gen. Sebastian A. Owuama, (rtd.), FCA; Otunba Abdul Lateef Owoyemi, FCA; Chief Olusola Faleye, FCA; Alhaji Idris Sulaimon, FCA; Princess Adenike Adeniran, FCA; Sir Ike Nwokolo, KSC, FCA; Dr. (Mrs.) Catherine G. Okpareke, mni, FCA; Bashorun Jaiye K. Randle, FCA; Chief Mrs. Elizabeth O. Adebite, FCA; Mr. Emmanuel I. Ijewere, FCA; Senator (Chief) Felix K. Bajomo, mni, FCA; and Chief Mrs. I.M. Osiyemi, FCA. In the words of Helen Keller, again, ***"the most beautiful things in the world cannot be seen or even touched, they must be felt with the heart"***. Your generosity of spirit, tutelage and commitment to service, inspired me profoundly. It helped shape who I am today. You are all worthy of celebration and I owe you all a debt of immense gratitude.

This appreciation will certainly not be complete if I do not acknowledge the invaluable contributions made by my friend and big brother, Alhaji Kabir Alkali Mohammed, mni, FCA, the Immediate Past President to the growth of the Institute in the last twelve months and to this investiture ceremony. As his Vice, he taught me the ropes. Dear Alhaji, you are a rare gem and a model of exemplary statesmanship. Thank you, your kindness and leadership is well appreciated.

I will also like to specially appreciate lady Onome Joy Olaolu, FCA for the beautiful rendition of my citation. The eloquence, confidence and brilliance with which it was delivered speak volume not only of her person but also the quality of members of the ICAN Governing Council. I am truly humbled.

Ladies and gentlemen, the ICAN Act of 1965 stipulates inter alia Council's responsibilities at:

***"Determining what standards of knowledge and skill are to be attained by persons seeking to become members of the accountancy profession and raising***

*those standards, from time to time, as circumstances may permit' (section 1(1))*

And to

*'Encourage research into accountancy and accountancy methods and allied subjects to the extent that the Council may, from time to time, consider necessary' (section 16 (b))*

These, in my opinion, are to protect the public interest and underscores, the 2014 and 2015 Golden Jubilee Presidential Theme which is **Promoting Public Interest: Enhancing Professionalism.**

### **CALL TO SERVICE**

As *primus inter pares*, the challenge of leadership is not lost on me. I am aware that the demand for greater and better service delivery in the midst of a fierce competitive marketplace is the minimum value proposition expected by our stakeholders. I am, aware of the increasing quest by students for internationalisation of any accountancy certification worth its salt and indeed, pained by the recent findings of our dwindling examination candidature and of the increasing diminution of our roles in the governance of this great nation, now Africa's number one economy. The decay in the nation's value system, the increasing but avoidable misery index of our people in the midst of plenty, give cause for concern. I am aware of the huge expectations for the Council under my leadership to restore the declining relevance of the Institute and the Accountancy Profession and move ICAN to the next higher level. Indeed therefore, this investiture is a clarion call to service. I therefore make a solemn declaration that; I will not disappoint you, God helping me, irrespective of the challenges. I will defend the ICAN ideal at all times.

Therefore, distinguished guests, ladies and gentlemen, since the complexion of the Accountancy Profession has been profoundly changed by information technology and globalisation; and since the societal value system has been impacted negatively by poverty and non-inclusive public policies, we must, as professionals, nay, chartered accountants, inevitably evolve ingenious and strategic solutions to the huge challenges currently facing the Accountancy Profession and indeed, the larger Nigerian society. Accordingly, in line with our public interest mandate, we will continue to provide thought leadership on business, finance and economic issues to enhance the leading edge of the Chartered Accountant. As part of its increased strategic advocacy role, the Institute will partner with and support the government in its quest to build a progressive and caring society by contributing to public policy discourse. In other words, we will play leadership role in influencing public policy, standards and regulations in the public interest.

As the conscience of the nation, our Institute will be at the forefront of the crusade to curb sharp practices in the society, by promoting compliance to global best practices and proactively raising the bar of accountability and transparency in governance. We will continue to provide technical support to government to ensure that the on-going transition to International Public Sector Accounting Standards, as the new financial reporting framework, is pursued to its logical conclusion and sensitise the public and private sectors about the irreversible match towards accrual accounting (IPSAS) and IFRS respectively.

Distinguished guests, ladies and gentlemen, giving the prime position of knowledge in today's world, ICAN will invest in,

and build Centres of Excellence and encourage academic and professional scholarship through its members and intellectuals on our sabbatical programme. As professionals and wealth creators, we will continue to hone our competences and skills to reposition and sustain the Institute's leadership position in the market place. We will leverage on our relationship with our international partners (the World Bank and the Institute of Chartered Accountants in England and Wales) to drive our capacity building and intellectual material development initiatives. In this respect, the Council will build on the impressive achievements of the last Presidential year ably championed by the 49<sup>th</sup> President, Alh. Kabir Mohammed who recognised and pursued with great and unparalleled vigour the implementation of the World Bank-sponsored twinning agreement between our Institute and ICAEW designed to strengthen our certification processes.

The Council will support key players in its certification processes, through but not limited to the construction of lecture halls in tertiary institutions and grants to selected accredited tuition houses from soon to be launched Tuition House Support Fund. In order to sustain the preference for ICAN products by employers and users of accounting services, our examiners, assessors, tuition providers and teachers of accounting students in tertiary institutions, etc, will be technically supported to enhance their capacity to continue to deliver qualitative training to our students. Indeed, to enhance the learning environment of our students, tuition providers will be re-assessed, re-accredited and ranked based on set parameters before they can access the Tuition House grant. In line with our on-going initiatives, our learning materials will continue to be benchmarked on global standards while the processes for acquiring and sustaining practical training experience will be strengthened. In particular, the log-book system will be resuscitated and strictly monitored for members wishing to go into practice. We are persuaded that only the best and brightest deserve to be admitted into the associate membership of our institute.

In order to raise the quality of financial reporting in Nigeria, the Council, in line with its statutory mandate, will provide support to small and medium practitioners (SMPs) by encouraging joint audits, alliances as well as strengthen, its on-going Practice Monitoring Initiatives. Similarly, we will sanction any infraction without fear or favour in line with our enabling Act. Our goal of enhancing and sustaining the confidence of stakeholders in our attestation obligation is non-negotiable. Indeed, the driving philosophy for this year shall be the conscientious defence of the public interest essentially a strong advocacy disposition.

We will enhance the global profile of the ICAN brand by strengthening our network of professional and technical relationships with PAFA and IFAC. As foundation and active member of these bodies, ICAN will remain innovative and a voice in the global accountancy family to be cherished by many and envied by competitors. We will not be discouraged by the trend towards proliferation of mushroom institutes, but will continue with our mentoring programme expanding it to include other West African-based institutes. Since the hood does not make the monk, we intend to consolidate on the gains of the last fifty years, sustain our standards such that our Institute remains the preferred brand.

Distinguished guests, ladies and gentlemen, as you would all appreciate the above laudable initiatives, require adequate funds



and resources to be actualised. Therefore, we intend to embark on aggressive debt recovery, cost reduction and waste elimination measures even as we strive to fully automate all the Institute’s operations. We will build a strong physical infrastructure base and spread, strive to achieve further diversification of our revenue stream. We shall pay greater attention on effective budgeting and budgetary control.

**THE SECRETARIAT**

At the heart of this dream is the Institute’s work force. Over the years, the staff have made appreciable contributions to the growth and development of our Institute. Accordingly, the Council will press forward with on-going measures to professionalise its 200-strong work force by creating a conducive, work-friendly and enabling environment as well as increase current capacity building efforts at all cadres. In order to provide further motivation to cushion the effects of the current harsh economic conditions, the current reward system will be comprehensively reviewed in line with extant Council policy and the relevant laws. We shall pursue an affordable mortgage and car loan policies in this presidential year.

**CONCLUSION**

Distinguished guests, professional colleagues, ladies and gentlemen, our Institute is at another milestone in which we must chart new paths that will lead to the advancement of the noble and disciplined profession of Accountancy. For me, the events of today will be more historic and rewarding if within the next twelve months, the goals I have passionately articulated above and outlined in the scorecard in the attached Appendix are fully accomplished. With the Council working as a team, I am confident that we can achieve these goals. However, we will require great courage to take certain decisions that will reinforce not only our dominance of the business environment and move the Institute to sustained prosperity but also promote advocacy and champion the cause of professionalism. As to be expected, the stakes are high but

notwithstanding, we shall not shy away from taking and adopting those critical strategies that will significantly and positively impact our integrity and ability to add value.

As a tenure that will be driven by accountability, there shall be Quarterly Performance Review of the Institute; the first one would hold in the quarter ending 30<sup>th</sup> September 2014. In this respect, I earnestly solicit the support, cooperation and understanding of members of the Presidency, the Council and all my professional colleagues in this difficult but achievable task. Today, the fate of our 39,000-strong members is inextricably hinged on what we do or fail to do as a Council. At the end, in my view, we must be seen to have left the Institute better than we met it. We must therefore walk the talk this time around. My eminent professional colleagues, this is my solemn pledge. I am persuaded that as a team, we can overcome all odds and build a profession whose fountain of service will remain persuasive and value-laden.

This acceptance speech will not be complete if I do not publicly acknowledge the role of my pillar, my best friend, my roommate, my confidant, my darling wife Josephine and my wonderful children Amaka, Tochi and Ekene, played in my life to get me to this level of my career. I owe my ability to take on corporate challenges effortlessly to God Almighty and the peace and understanding provided by my family at home. My endless travels and late night meetings outside the home were accommodated by my family members. I say a big thank you to you Josephine and my children for the support you have given me all these years. I cherish you all deeply. God bless and reward you – AMEN.

Finally, let me thank most sincerely all my friends present here today, distinguished guests and members of the Press for being part of this Institute’s historic Golden Jubilee Presidential Investiture ceremony.

May the Almighty God bless and grant you journey mercies back to your respective locations.

Thank you.  
Long live ICAN  
Long live the Federal Republic of Nigeria. ●

APPENDIX TO THE INAUGURAL ADDRESS OF THE 50<sup>TH</sup> AND GOLDEN JUBILEE PRESIDENT

The Scorecard So Far, Targets and Strategies

Scorecard	Strategies
<p><b>(1) Regulation and Certification</b></p> <ul style="list-style-type: none"><li>• We have over 120,000 student members of which approximately 39,000 are active;</li><li>• We have a weak educational base and environmental constraints;</li><li>• We have low examination pass and completion rate;</li><li>• We have flat-growth rate in students’ enrolment.</li></ul>	<p><b>We intend to:</b></p> <ul style="list-style-type: none"><li>• Raise accreditation standards and support for the Tuition Houses;</li><li>• Produce and deliver learning resources;</li><li>• Evaluate the new syllabus in November 2014 with all the Study Resources delivered;</li><li>• Develop a Research Centre for accounting excellence;</li><li>• Re-enforce practice monitoring by co-opting acclaimed practitioners into the scheme;</li><li>• Actively pursue brand-enhancement, especially in tertiary institutions;</li><li>• Liaise with tertiary institutions to maintain the ICAN standards;</li><li>• Aggressively pursue the “catch them young” scheme.</li></ul>

<b>(2) Representation and Advocacy</b> <ul style="list-style-type: none"> <li>• Inadequate public advocacy and representation.</li> </ul>	<b>We will among other measures:</b> <ul style="list-style-type: none"> <li>• Take a lead role in influencing public policy, standards and regulations;</li> <li>• Demonstrate leadership of the profession;</li> <li>• Encourage 'whistle-blowing' by setting up a Fund;</li> <li>• Engage active sabbatical participants for periodical studies and contribution to national and international debates;</li> <li>• Be a vital commentator and reliable source of trusted information for our members and the society relying largely on the studies by a sabbatical team.</li> </ul>
<b>(3) Membership</b> <ul style="list-style-type: none"> <li>• We have over 39,000 registered members of which approximately 17,500 are financial members;</li> <li>• ICAN is a dominant local brand and aspiring international professional voice;</li> <li>• There is unemployment and under-employment among members;</li> <li>• Lack of adequate support for our small-medium practitioners (SMP);</li> <li>• We face strong local and international competition;</li> <li>• Review of our disciplinary processes.</li> </ul>	<b>We will:</b> <ul style="list-style-type: none"> <li>• Restructure our Employment Bureau practices for benchmarked and ascertainable results;</li> <li>• Encourage the up-skilling of members to embrace information technology as distinct from Technology Certification Initiative;</li> <li>• Reintroduce practice and experience log-book;</li> <li>• Provide support for the small and medium practitioners by way of encouraging joint audits, alliance, mergers and acquisitions;</li> <li>• Re-invent our Strategic Partners' Initiative with top brands focusing on discounted office set-up assets to encourage entrepreneurship amongst our members, especially, SMPs;</li> <li>• Encourage rotational audits especially for public interest companies;</li> <li>• Increase the sum assured for group-life assurance policy for financial members;</li> <li>• Review the Investigation and Tribunal Process to enhance speed and fairness within the provisions of the Act and Law;</li> <li>• Install a functional Call Centre for membership relationship management.</li> </ul>
<b>(4) Competition</b> <ul style="list-style-type: none"> <li>• Local and international competition;</li> <li>• Proliferation of accountancy bodies locally.</li> </ul>	<b>We will work towards:</b> <ul style="list-style-type: none"> <li>• Improving the quality of our learning resources by constantly up-dating study resources and aggressively supporting Tuition houses and tertiary institutions;</li> <li>• Continuing our partnership with ICAEW to deliver on the objectives of the twining collaboration;</li> <li>• Maintaining the ICAN brand as a qualification of choice by creating awareness in tertiary institutions;</li> <li>• Constructing approved Lecture Halls in the designated universities.</li> </ul>
<b>(5) Financial Sustainability</b> <ul style="list-style-type: none"> <li>• We have the ability to meet our financial obligations as and when due but requires urgent actions to ensure sustainability;</li> <li>• Effective budgeting and budgeting control;</li> <li>• Strong physical infrastructure base but there is a need to enhance diversification and spread.</li> </ul>	<b>We intend to implement policies that will:</b> <ul style="list-style-type: none"> <li>• Aggressively pursue recovery of outstanding subscription to boost our financial health;</li> <li>• Cut back on recurrent expenditure;</li> <li>• Deliver an exceptional Conference with a 25% growth in retention rate;</li> <li>• Spread the location of physical assets (facilitate the acquisition of land for the proposed Abuja International Conference Centre);</li> <li>• Work towards acquiring a multi-purpose building in London;</li> <li>• Resolve the on-going gratuity and pension issues;</li> <li>• Introduce Quarterly Performance Review, the first one would hold on the quarter ending 30<sup>th</sup> September 2014.</li> </ul>
<b>(6) Secretariat</b> <ul style="list-style-type: none"> <li>• The Institute has over 200 people on its payroll;</li> <li>• A motivated, committed and loyal workforce;</li> <li>• And an Information, Computing &amp; Technology (ICT) driven workforce and place.</li> </ul>	<b>We intend to achieve this through the:</b> <ul style="list-style-type: none"> <li>• Reduction in costs;</li> <li>• Encourage a professional work environment;</li> <li>• Introduce mortgage scheme for middle-level members of staff;</li> <li>• Improvement of Staff car loan policy;</li> <li>• Sustained relevant training for all cadre of the Institute's workforce;</li> <li>• Professionalisation of the institute's work force;</li> <li>• Full automation of the Institute's processes in this Presidential Year.</li> </ul>
<b>(7) International Affiliation</b> <ul style="list-style-type: none"> <li>• Continued active participation in IFAC, PAFA and ABWA and their programmes.</li> </ul>	<b>We plan on:</b> <ul style="list-style-type: none"> <li>• Tapping into available resources through international network;</li> <li>• Enhancing global visibility;</li> <li>• Extend our mentoring to other needy West African based Institutes.</li> </ul>
<b>(8) Standards and Professional contemporary issues</b>	<b>We will aim at:</b> <ul style="list-style-type: none"> <li>• Creating awareness of the need and benefits of Integrated Reporting;</li> <li>• Ensuring the consolidation of the adoption of IFRS;</li> <li>• Creating an enabling environment for the implementation of IPSAS in our public sector.</li> </ul>



# THE CORPORATE COUNSEL

**T**he role of the law in business transactions is as old as man and business activities. As businesses continue to evolve or change for various reasons, so the law has been changing to find solutions to the challenges facing business men and businesses. The growth of incorporated companies, international trade, new technology, increase in population, capitalism and the movement of capital around the world, desire to get best value for money, the need to reduce or eliminate disputes in commercial transactions, modern government and other reasons have positively conspired together for the rise and growth of the role of lawyers in business and consequently the role of the corporate counsel. Today there is hardly any worthwhile business all over the world with reasonable turn over and a sizeable number of employees and customers that does not have its own in-house or corporate counsel. Indeed in some of the developed economies more lawyers are working on full time basis in corporations or companies.

As our business environment continues to be friendly and more attractive for local and foreign investors, Nigeria with its huge economic and other potentials will experience a huge growth in business activities and opportunities. This will of necessity create additional jobs, roles and challenges for lawyers as in-house counsel and external solicitors. Currently the concentration of in-house counsel in Nigeria is located mainly in the banks, oil and gas companies, government commercial corporations or entities, insurance companies, regulatory arms of government, the security agencies, the manufacturing sector of the economy, other financial institutions among others. These dedicated lawyers with specialised knowledge and skill are rendering effective and efficient legal professional services in most cases to their employers and the country. Unfortunately, little is known or heard about them partly because of the nature of their duties and partly because of the complex nature of our society.

However, the time has come when lawyers in corporate organisations must be recognised, valued, remunerated and honoured for their competence, knowledge, skills and immense contributions to the growth and development of the economy. Despite the very intimate relationship between the law, economy and business not many business entities have lawyers as directors on their Boards. This is currently engaging the attention of policy makers in other parts of the world. Nigeria should not be left

behind in this as the collapse of any of the few public companies that are doing well as a result of lack of a moral conscience on the Board could be very devastating for the economy.

The law must step in as appropriate to assist business organisations to operate lawfully and enhance returns to investors or shareholders while meeting the expectations of the other stakeholders. In this, there is a major role for the corporate counsel.

## WHO IS A CORPORATE COUNSEL?

A Corporate Counsel in Nigeria is a person who is entitled under the laws of the Federal Republic of Nigeria to practice as a legal practitioner and who is employed on a full time basis by a corporate entity as a legal practitioner. Such a person must be a

member of the Nigerian Bar Association and should be paying his or her practicing fees as at when due.

***"The time has come when lawyers in corporate organisations must be recognised, valued, remunerated and honoured for their competence, knowledge, skills and immense contributions to the growth and development of the economy"***

## KEY DUTIES OF A CORPORATE COUNSEL

It is difficult to provide an exhaustive list of the duties of a corporate counsel to his or her employer. A lot will depend on the nature of the business of the company, the business and legal environment where the company is operating, statutory requirements in a given country, corporate culture of each company, the kind of products or services, of the company, location of the main markets for the products of the company, experience of

the company with respect to legal matters, the challenges facing the organisation at any particular time, the size of the company, whether the company is private, public or a statutory corporation, the competence of in-house counsel in a company, relationship with business lines, influence, decisiveness and insight and character and standing of the corporate counsel in legal professional circles among other reasons.

The days are very limited when the role of the Corporate Counsel in a dynamic business environment bubbling with various challenges and legal related issues can strictly be legal as such. More often than not, the roles of corporate counsel now has widened beyond the usual traditional legal line. The Corporate Counsel of today is often required and indeed expected to play a major role in striking a business balance between the multidimensional short term and long term interests of the organisation and the challenges

facing the company from time to time. It is against the background of the foregoing that we offer suggestions on what the roles of the corporate counsel should be in general in an ideal corporate environment:

- Corporate structure and governance.
- Review policies, procedures and processes of the Company.
- Compliance with laws, regulations, policies and directives.
- Major negotiations.
- Legal opinions.
- Contracting and management of contracts.
- Land acquisition.
- Resolution of commercial disputes or claims.
- Resolution of community and interest group claims.
- Litigation management and other Disputes Resolution.
- Protection of key corporate officers in official capacities.
- Drafting of legal documents.
- Keeping custody of important corporate documents.
- Business support and protection under law.
- Legal aspects of government relations.
- Legal and moral conscience of the Company.
- Legal audits in association with outside Counsel.
- Others.

It is imperative for the legal team in any corporate set up to understand that, they need to work together as a team, get closer to the business, have spine for the truth, be current on legal issues and developments and maintain their independence without being arrogant or proud.

### **CORPORATE COUNSEL AND THE IDEAL REPORTING LINE**

One of the unwritten roles of the Corporate Counsel is that, more often than not in addition to his or her core roles or duties to his/her employer, the in-house Counsel is expected to be the keeper of the conscience of the Company and be the barometer for measuring legal and commercial realities against the competing objectives and interests of the organisation. If the Corporate Counsel will be able to play this role appropriately, the authority he commands, his influence in the organisation and of course the way he or she is generally perceived in a given set up are all material.

One other important issue here however is: to whom should the Head Corporate Counsel be reporting on daily basis? Not many corporate entities have their most senior Corporate Counsel on the Boards of Directors. The reporting relationship of the Corporate Counsel in an organisation could affect his effectiveness and that of his or her team. Where the Corporate Counsel is reporting to an officer of the Company whose activities should come under the sphere of influence of the Corporate Counsel, the Corporate Counsel may be unduly influenced. Under this scenario, corporate governance or the business may be the looser because of this lopsided reporting arrangement.

Undoubtedly, this issue should be a matter of concern to the NBA as part of NBA's duty to uphold the independence of the Bar and serve the society through the law. In my view, this issue may be addressed by the Code of Corporate Governance or through CAMA or by both. The point being made is that, the most senior Corporate Counsel in a Company regulated by law should have a high profile in the organisation and report to the CEO of the Company. All other

Counsel at branch offices of the Company should report to the most senior Corporate Counsel.

### **ADVANTAGES OF EMPLOYING IN-HOUSE LAWYERS**

- a. Always available for consultation and advice;
- b. Better knowledge of the organisation's business than outside Counsel and for this reason can give balanced, thorough, sound and realistic advice;
- c. Timely prevention of major legal problems and quick response to emerging operational issues;
- d. Relative cost effectiveness in rendering legal services – Inevitable for Companies with multi-national operations;
- e. Can easily develop deep and broad competence in the legal issues relevant to the needs of the organisation.

### **KEY CHALLENGES FACING THE CORPORATE COUNSEL IN NIGERIA**

It is difficult to have a complete list of the challenges confronting the Corporate Counsel in Nigeria. Because of different corporate cultures, types of businesses, locations of businesses, competence of in-house Counsel, insufficient use of external solicitors, etc. in addition to the challenges facing lawyers in Nigeria, the Corporate Counsel may be subjected to one or more of the following challenges:

- a. Supporting Company's legitimate business objectives without compromising legal requirements.
- b. Slow judicial process.
- c. Speculative claims and claimants.
- d. Criminality/Malicious damage of facilities.
- e. Poor awareness/appreciation of legal issues by officials.
- f. Striking a balance between the expectations of outside counsel and policies of the company.
- g. Land acquisition problems.
- h. Coping with deep pocket litigation.
- i. Economic Torts and solutions e.g. passing off.
- j. Bad Debts and Debts Recovery.
- k. Nil/late consultation.
- l. Conflict in Employee/Legal Adviser role.
- m. Low level of reporting.
- n. Insufficient resources.
- o. Insufficient support by company staff for judicial processes.
- p. Capturing on timely basis legislative, judicial, regulatory and policy developments.
- q. Others.

### **CONCLUSION**

The Corporate Counsel has become an indispensable ally for worthwhile business and learning organisations especially for legal compliance, business strategy, managing legal relations, shareholders communication, legal issues in stakeholders' relations, company secretarial services, claims management and disputes resolution, and good and wise business management in general. The important and expanding role of the Corporate Counsel in the management of businesses in Nigeria will continue



to increase as we start reaping the real fruits of economic reforms and a stable and more attractive business environment.

If the Corporate Counsel must be effective and efficient in the discharge of his or her professional duties to his or her client, counsel among other things must have relevant skills and knowledge, know the business of the client, embrace modern communication technology, get close to the business of the client, must not constitute a distraction but adding value to business, embrace best practices in all its ramifications, be firm and courageous, bench-mark with colleagues in other organisations, have good rapport with the business lines while at the same time maintaining independence.

In order to enable the Corporate Counsel to concentrate on important in-house issues and as part of his preventive strategy against legal risks and problems, the Corporate Counsel should use the services of external solicitors with appropriate skills, knowledge and experience not only when there is litigation against his employer, but also when there is or could be high legal risks and exposure or when a second opinion is desirable as a means of legal quality assurance.

The in-house Counsel should realise that the Company is his or her client. There must always be a distinction between the Company and the key officials of the Company in their official and personal capacities. It may not be in the interest of the official for the in-house Counsel to advise a Director or other key Management staff on personal issues as the Director may not trust that the in-house Counsel will hold his communication with the Counsel in confidence as required by law and the ethics of the profession. It may be difficult for the director to believe that knowledge of some facts by the Counsel will not be known to the Company through the Counsel. In such cases, external solicitors should be contacted. This does not mean that the Company may not pay for the services of the external Solicitor depending on the issues and the policy of the Company or corporation on such matters.

As the Nigerian economy continues to grow, more lawyers will be needed and employed by corporate organisations. In future, between 25 to 40% of Nigerian lawyers may be employed by corporate entities as in-house Counsel. The NBA should therefore be prepared now to capture the talents and input of this significant part of its members by having a strategy for incorporating in-house counsel fully in to the structures, workings and scheme of things in the NBA. Unless we do that, the possible losses to the Association in terms of reduced strength or participation, formidable parallel Association and income among others could be disturbing.

In addition, the NBA as part of its social responsibilities, if not constitutional duty, should actively support the formation of the Corporate Counsel Association of Nigeria and ensure a place of pride for it at Committee level at least in the structure of the NBA.

Lastly, the NBA in association with the Association of Corporate Counsel of Nigeria should sponsor a Code or Guideline for solicitors working for non lawyers in Nigeria. This in our opinion can be achieved under the Legal Practitioners Act or the NBA Constitution without going through the National Assembly. This will clarify

***"In order to enable the Corporate Counsel to concentrate on important in-house issues and as part of his preventive strategy against legal risks and problems, the Corporate Counsel should use the services of external solicitors with appropriate skills, knowledge and experience"***

issues, enhance the status of Corporate Counsel in their respective organisations, and be of mutual benefit to other stake holders including the NBA and the various organisations employing lawyers for business purposes in Nigeria. The UK as far back as 1990 produced a similar Code which was amended in 2004.

Finally, the time has come when the legal profession in Nigeria must make use of all its human resources as part of its effort to discharge its responsibility to serve humanity to the best of her ability. In this era of specialisation and special courts, we need to combine the experience, knowledge,

and skills of outside counsel with those of in-house counsel for a complete and efficient service delivery in the administration of justice. In this respect, in-house Counsel who distinguish themselves in the profession can add value to our judicial processes if appointed as judges in special courts in particular e.g. the National Industrial Court. A lawyer who had a distinguished career with the Federal Inland Revenue Service or other OPS for example could be of immense assistance in a revenue or commercial court. This will be advantageous to society as there will be a more robust service delivery in the administration of justice and thus enhance the relevance and image of the profession. ●

\* From the Legal Department of ICAN

## MEMBERS TO ENJOY 10% DISCOUNT ON OUTSTANDING SUBSCRIPTIONS

Members of the Institute who have not been paying their dues lately **can now pay and enjoy ten percent discount**, if such payment is above a hundred thousand naira (₦100,000.00).

This move became imperative in view of the large sums of subscriptions being expected from members. The money when realised will allow the Institute execute her various developmental programmes.

The Council hereby urges members to support its drive at repositioning the Institute to serve them better by cooperating with the officials of the Institute who will be coming to them for the subscriptions.

Members are enjoined to make use of various payment platforms which include Cheque, Bank-draft, Point of Sales, Pay-direct and e-Banking. No cash transactions please.

The exercise is scheduled to last for six months.

# Perspectives on Capitalism and Corporate Failures

By ABEL AIG. ASEIN

## Preamble

**C**apitalism is basically the economic philosophy which encourages production by private investors for the purpose of profit. As a profit driven initiative, competition and survival of the fittest underlie its operational framework. According to its exponents, capitalism is based on the concept of profit and loss, success and failure, risk and reward, entry and exit and therefore, players in the market are often subjected to its rules without fear or favour. Any departure from this framework will create a dysfunctional relationship which can distort the efficient functioning of the market forces of demand and supply. According to the view, where distortions (e.g., government bailouts) are allowed to happen, players will not efficiently deploy resources and the output will be sub-optimal. Thus, the role of government should, according to them, be limited to the making of laws that regulate the conduct of persons, be they natural or legal as well as create the enabling environment for entrepreneurship to flourish. Simply put, the best government is the one which governs the least.

Accordingly, the main objective of this write-up is to show that the best government is not one which governs the least but that which does not absolutely leave resource allocation and by extension, the welfare of its people, to the dynamics of market forces. It will show that in developed and successful economies in the West, the role of government significantly insulates the citizenry from the negative impact of capitalism implying that, leaving the management of economic activities absolutely to the invisible hand of price mechanism is a receipt for disaster and sub-optimality.

## Assumptions of Classical Economists

In addition to assuming a *laissez faire* philosophy of little or no government, classical economists also assumed that as more profit is made, more investments activities will be undertaken and the economy will experience progress. In other words, profit provides not only an incentive for further investments but also, it is a source of progress. However, since the rules of engagement under capitalism allow for free entry and exit, competition will increase as profits are made by existing business entities. Expectedly, more players will be attracted into the market to compete for a piece of the abnormal profits being made. Overtime, this abnormal profit will start to decline and eventually stagnate.

With a decline in profit, investments will shrink, fewer and fewer people will be engaged, output will continue to decline and the economy will eventually stagnate. Thus according to the Classical economists, the end product of capitalism is stagnation. To this stagnation, I dare add, corporate failures. Business failure is in tandem with the capitalist philosophy of survival of the fittest.

## Impact of Unbridled Competition

The Deutsch's research (1958) established that a competitive, winner-takes-all orientation of capitalism promotes suspicion, not trust. Without trust, there will not be cooperation and goal congruence. Indeed, as a form of social capital, trust enhances performance, promotes economic prosperity, social stability and even, human survival (Uslaner, 2002). When trust is absent, therefore, wealth will not be created. However, although capitalism encourages competition which gives the consumers better opportunities to make choices, promotes entrepreneurship and the creative destruction of poorly performing and non-value-adding industries, the problem comes "when capitalism becomes an unbridled race to profit without concern for ethics, morality and the interests of all stakeholders in the social and economic system" (Hurley, 2012). As currently practiced, capitalism is all about profits, shareholders' wealth maximisation while the resultant externalities are either ignored by businesses or unwittingly transferred to the state for redress. Yet externalities destroy the environment and this can negatively impact the ability of future generations to derive benefits from it. Therefore, to separate business from ethics, morality and humanism is to lower the bar of accountability and sustainability. The US Enron and American International Group (AIG) saga, the Italian Parmalat and the Nigerian Oceanic Bank cases were situations where ethics were sacrificed on the altar of profit, pride, greed and deceit. Let's review these cases more closely.

## Enron Saga

The vision of Enron in 2000 was, "to be the biggest energy company in the universe!" This was its vision two years before it ran into troubled waters. To achieve this vision, it diversified into banking, coal, wood-pulp, plastics, credit insurance, sale of telecom bandwidth, metal trading, supply of chemicals, gas and electrical equipment, etc. It was the first to initiate the Independent Power Project in Lagos, Nigeria! The point must



be made that there is nothing inherently wrong with corporate diversification such as the one embarked upon by Enron. Indeed, Markowitz (1959) in his path-breaking treatise encouraged aggressive diversification as a way of reducing corporate risks. However, this Enron diversification strategy only produced huge growth in revenues but not much impact on profit. To boost its profit profile, Jeffrey Skilling, Enron's CEO encouraged the manipulation of its financials. Mr. Andrew Fastow, the CFO, obliged.

Through complex off-balance sheet vehicles, debts were hidden, liabilities understated while profit, and by extension equity, were overstated. Between 1996 and 2000, Enron's revenues increased by more than 750%, rising from \$13.3 billion in 1996 to \$100.8 billion in 2000. This was unprecedented in any industry, including the energy industry which typically considered growth of 2–3% per year to be respectable. For just the first nine months of 2001, Enron reported \$138.7 billion in revenues, which placed the company at the sixth position on the *Fortune* Global 500. With share price of US\$90 and market capitalisation of over US\$60 billion in year 2000, Enron was the toast of rating agencies and investors. Indeed, in 1999, its share price rose by 56%. Year 2000, it increased by 87% whereas the Standard & Poor index increased by 10% & 20% for those years, respectively! Before its collapse, Enron was involved with 8000 counter parties in hundreds of business lines! As share prices were rising, Enron top executives started to dump their bonus shares at a premium! US\$1 billion worth of shares was dumped in such a manner. When Enron eventually collapsed in November 2001, its share price had declined to about US\$1 (exactly 65 cents)! From the above, we had a scenario of capitalism-induced competition, creative accounting and eventually, corporate failure of Enron. Thus, SOX Act was initiated by Senators Paul Sarbanes and Michael G. Oxley to "protect investors by improving the accuracy and **reliability** of corporate disclosures made pursuant to the securities laws and for other purposes."

### **Parmalat's Failure**

The Parmalat case in Italy was similar to the above. A family enterprise that became a global brand, Parmalat started as a peddler of prosciutto in a small northern Italian hamlet. Over time, it sought to dominate the dairy market by expanding its operations to nearly all the continents of the world. With a global branch network in 30 countries and a staff strength of 36,000, Parmalat ran into troubled waters. The firm which claimed to have a cash balance of 3.95 billion Euros in its books could not honour a matured bond obligation of just 150 billion Euros. Its founder, Calisto Tanzi casually explained it away by saying that the company had mere liquidity problem! Its bankers however thought otherwise. Following an investigation, the firm admitted that the 3.9 billion Euros it supposedly had in a Bank of America account of its subsidiary, Bonlat, based in Caymans Island did not

exist! In all, it lost a total of US\$4.6 billion (Euros 3.95 billion) to forgery and fraud. Investigators observed, according Mark *et al* (2004) that the "company executives invented contracts that were shown to the banks in order to raise cash that was then used to cover up day-to-day losses." With this revelation, its share price fell by 40% initially. When information circulated about its true state, what was left fell further by 66%.

The firm had a debt of 14.3 billion Euros and could not meet its maturing obligations. Calisto Tanzi, erstwhile CEO was jailed for 10 years for fraud and money laundering while 36,000 direct jobs were threatened in 30 countries. A number of global banks faced significant financial and reputational damage from their dealings with Parmalat, e.g. Citigroup, Morgan Stanley, Deutsch Bank and Bank of America. Grant Thornton, the Auditor of 17 of Parmalat's operating units and the Cayman Island finance subsidiary was deeply embroiled in Parmalat scandal primarily because

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it audited Cayman Island subsidiary. Deloitte, Parmalat's chief auditor, that raised concerns regarding Parmalat's 2002 accounts, yet still signed off the financial statements, was investigated and severely criticised for not acting as a 'broom'. However, the fact that there were two different auditors, meant that the rotation system did not make the chief auditor responsible for the whole company. 100,000 Italian and Brazilian dairy farmers were put at risk by the collapse of Parmalat. The company owed some 100 million Euros to the farmers, and the government had to pass emergency measures to protect the farmers. Again, the rule of the invisible hands of the market was breached. The Italian government intervened to

save the economy and its people when on December 9, 2003, it rushed through an emergency legislation aimed at allowing quick bankruptcy procedures for the dairy giant, in order to protect its industrial activities, payrolls and vendors, etc, from creditors claims (Celani, 2004).

### **American International Group**

The American International Group (AIG) is an octopus in the insurance industry as it was involved in all aspects of the business. Indeed, it was the world's largest insurance company by assets and has subsidiaries in UK, France, Hong-Kong, Australia, Pakistan, Philippines, Singapore, India, etc. According to the 2008 Forbes Global list, AIG is the world's 18<sup>th</sup> largest company. On September 18, 2008, it suffered liquidity crises following a downgrade of its credit rating. It sold credit protection (credit default swap) on collateralised debt obligations that declined in value. In order to savage the situation, AIG sought and obtained a loan from the USA Federal Reserve to the tune of US\$85 billion while dividends to stockholders were suspended. Early in October, 2008, the company took an additional loan of US\$37.8 billion from the Federal Reserve to enable it restructure its assets. What is evident in the case of AIG is it took unbridled risks, to enhance its profits, oblivious of the consequences

particularly on shareholders' funds. Its managers appeared to have demonstrated a reasonable degree of knowledge gap in the area of providing cover for complex investment instruments. The core issue is: were the mistakes innocently or deliberately made?

The view is rife that these decisions were speculatively taken in anticipation of profits and bonus rewards. The point must be made that executive pay structure and disengagement benefits (including golden handshakes) must be reasonable as these played a significant role in the unguarded activities of AIG. Its managers were more interested in these rewards than the impact of their decisions on shareholders' funds. Pitiably, the organisation was not allowed to fail as proponents of capitalism expected. It got a bail out from the US government thereby creating a dysfunction in the operations of the market in line with the position of Classical economists.

From the above examples, it should become obvious that without the intervention of government and its regulatory institutions, unbridled capitalism-induced competition will lead to failures of business entities. So the best government is not necessarily one that governs the least but that which acts in the best interest of the economy and its citizenry by saving their jobs and lifelong pension and other severance benefits. Those who caused the dirty Augean stable did not care a hoot. They deserve and ought to be punished. Allowing them to benefit from their malfeasance is to regale fraud and impunity in royal apparel which sane societies condemn in the strongest terms.

#### ***Oceanic Bank's Failure***

Incorporated in 1990 as a private limited liability company, Oceanic Bank was one of the 25 banks that made the consolidation exercise of 2004 initiated by Prof. Charles Soludo, the then CBN Governor. The bank won a lot of awards and in fact, the Bank's erstwhile CEO, Mrs. Cecilia Ibru, was regaled for her accomplishments as a female banker in a world dominated by men. Due to competition, aggressive lending activities, creative accounting practices, insider dealings, the bank accumulated a lot of non-performing loans and bad debts. Single obligor limits were ignored at great peril to shareholders' funds. Best practices in corporate governance were breached. Mrs. Cecilia Ibru was subsequently jailed for 18 months after agreeing to forfeit N191 billion through a plea bargain. Each of the 3-count charge on which she was found guilty had a penalty of 6 months each and they were to run concurrently. Effectively, she was jailed for 6 months only. The huge un-performing loans of the bank were subsequently bought over by Assets Management Company of Nigeria (AMCON) set up by the Act of Parliament of 2010. Over 1,500 Oceanic Bank staff were sacked while the bank, itself, was taken over by Ecobank International, the West African Bank. Another evidence of capitalism, competition, greed, deceit, creative accounting and corporate failures.

Evidence of other similar scenarios can still be drawn from

the Nigerian business environment to show that unbridled competition often comes with a lot of vices. For instance, there were alleged serious cases of price fixing in the telecommunication industry prior to the entry of GLO with per second billing policy in the Nigerian market. SIM cards were sold at cut throat prices by MTN and Econet Wireless. There were also the cases of alleged insider dealings in the stock market which subsequently led to its crash in 2008. The celebrated de-marketing of Indomie foods through alleged product poisoning by unknown competitors is still fresh in our minds. The aggressive mergers and acquisitions of banks and in particular, the case of Access Bank Plc acquiring Intercontinental Bank Plc, a much bigger bank, is a lesson not only in boardroom drama but how to be street-wise. In addition to all the vices mentioned above, there is often the trend towards creative accounting in order to meet projected sales and profit targets, impress the existing shareholders and enhance directors' compensation in form of stock options. A good number of the banks that met the minimum capital requirements in 2004 were subsequently acquired by AMCON for huge non-performing loans and corporate governance breaches.

#### **Corporate Failures as Byproduct of Capitalism**

Although some degree of competition may be healthy for the economy, it is the other side of competition which promotes corporate deception that is the cause of corporate failures and the bane of economic progress. Indeed, it is safe to say that

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the inherent self-destruct nature of capitalism, greed and improprieties of players culminated in the USA mortgage crisis of the 2007/8 which resulted in massive loss of funds by mortgage owners, defaults, foreclosure of several companies and inevitable global crises. With the crisis, the Wall Street was again hit by the collapse and subsequent takeover of such US companies as *Fannie Mae* and *Freddie Mac*, *Lehman Brothers*, *Merrill Lynch*, *American International Group (AIG)* and the UK Royal Bank of Scotland, etc. While AIG was rescued by the USA Government, the British government bailed out Royal Bank of Scotland. Interestingly, in spite of the crisis faced by USA corporate entities, their chief executive officers were paid mouth-watering pre-agreed performance bonuses and disengagement allowances! They reaped at the expense of their shareholders and tax payers. They were paid for incompetence both by shareholders and taxpayers.

When those who take decisions believe that the government, using the taxpayers' funds, will come to their rescue, they will not only be reckless, they will even engage in untoward conducts, breach of rules to unduly enrich themselves. This is the summary of the cause of the 2007/8 global financial crisis. Those financial entities that invested did not suffer pain. They filed for bankruptcy protection in US. The market was not allowed to impose its sanctions for their bad investment decisions. Again, the response by the US government was in terms of another legislation: Dodd-



Frank Act 2010! For this reason and as a means of restoring trust, Edward Freeman and other scholars have advocated new forms of governance and incentives to correct some dysfunctions of the current form of capitalism (Bradely, 2008). Operators of capitalism must be made accountable for their actions or inactions.

### Trend Towards Too-Big-To-Fail

In a deft move considered as anti-capitalism and anti-competition, the CBN recently classified eight Nigerian banks as too-big-to-fail: First Bank, Zenith Bank, United Bank of Africa, Access Bank, GTBank, Diamond Bank, Ecobank and Skye Bank. These eight banks, according to the CBN, account for 75% of the banking sector in terms of assets, earnings, profitability, customer deposits and branch network. They are so interconnected, according to CBN, that the collapse of any of them could have very devastating effects on the entire economy. The view is rife that this is a blanket regulatory endorsement of certain banks at the expense of others.

The banking public may consider the others less secure and this could trigger a run, if care is not taken.

More importantly, while this strategy may be expedient and in the interest of the economy, it is imperative to stress that, if not properly controlled, this will be a license for bankers to be reckless with the investment risks they take. Beyond asking them to increase their capital base, the regulatory regime of these banks should therefore be made stiffer without necessarily stalling their management's capacity to be innovative. For instance, investment decisions that will involve the huge outlay beyond a given threshold should be approved by the stakeholders, not just the board. There is nothing new in this recommendation. The UK Companies Act 2006 provides that a board must obtain the consent of its shareholders before it can agree a threshold for audit liability with external auditors.

Although, the concept of too big to fail has become accepted. Alan Greenspan, the former US Federal Reserve boss had argued persuasively that if banks become too big to fail, they should actually be broken up to manageable entities. Indeed, in line with the provisions of Dodd-Frank Act, 2007, banks must learn to reduce their tendency towards risk taking. The months ahead will reveal the propriety or otherwise of the policy in the Nigerian environment. Irrespective of the outcome, the playing field for banks in Nigeria today is short of been level. The point must however be made that such government's role in economic activities cannot and should not be wished away. It is a strategy that guarantees stability in the face of market imperfections.

### CONCLUSION

Although many have argued that the business of government is not to be in business, it is difficult to entirely restrict its activities to just making rules and regulations and creating the enabling environment (e.g., provision of infrastructural facilities)

**"The visible hands of the state cannot be wished away in the efficient management of the economy. Its social contract with the people and sustainable development require the government to be a co-pilot in economic management. To do otherwise is to allow capitalism to remain a philosophy of survival of the fittest in a world desirous of cooperation and integration"**

for businesses to flourish. Today, the imperfections of the market are manifesting clearly in government intervention with tax payers' money. Rather than have less government and allow market forces (those invisible hands!) to determine the prices of goods and services including share prices, the important role of the visible minds of politicians cannot be discountenanced. If the US government did not intervene in AIG when it did, many companies would have collapsed and millions of jobs would have been lost. If the British government did not intervene to bail out the Royal Bank of Scotland, the financial system of the entire country and region would have been hard hit. If the Nigerian government did not intervene in Union Bank, Afribank Plc (now Mainstreet Bank), Keystone Bank, etc, the Nigerian economy would have been in serious distress. The point is that we cannot have extreme capitalism where only market forces and profit matter. The visible hands of the state cannot be wished away in the efficient management of the economy. Its social

contract with the people and sustainable development require the government to be a co-pilot in economic management. To do otherwise is to allow capitalism to remain a philosophy of survival of the fittest in a world desirous of cooperation and integration.

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# Growth Strategies

## for Small and Medium Enterprises in Nigeria

By **ANYAFULU LAWRENCE**

*This paper examines the constraints faced by small and medium enterprises in the Nigerian economy with the aim of exploring the best strategies for overcoming what it considers as sector-wide and economy-wide management and resource problems. The objective is to contribute towards developing suitable strategies for incubating, nurturing, and positioning small and medium enterprises for global competitiveness in Nigeria. This is based on the accepted belief that the expected industrial revolution and economic advancement of Nigeria is hinged on the growth of small and medium enterprises, normally referred to as SMEs. The paper explores existing literature and current exposition on the constraints and problems of small and medium enterprises in Nigeria. The characteristics of the constraints and problems, and the needs for strategies, from the perspectives of the work of relevant scholars, were analysed. The work reveals the absence of well-informed, encompassing, and functional strategies for incubating and nurturing small and medium enterprises in Nigeria, the failure of the SMEs to meet up to national and international challenges of growth, and the strategies needed to bridge the gap. The paper recommends the adoption and implementation of strategies that factor in such important variables as reliable infrastructural facilities, cheap and accessible funds, competitive costs, and global best management principles and practices, which can lead to the springing up of SMEs, and their growth into global competitiveness.*

**KEY WORDS:** Growth Strategies, Small and Medium Enterprises, Global Competitiveness.

### INTRODUCTION

Small and Medium Enterprises in Nigeria currently constitute a large proportion of the firms operating within the Nigerian economy, but have failed to make the necessary economic impact needed for an industrial revolution in Nigeria. These firms have failed to maintain sustained business growth and to attain global competitiveness, due to constraining factors, some of which are within and some of which are outside their influence and control. Nigeria is far from attaining an industrial revolution, due to inherent weaknesses inhibiting the growth of majority of these small and medium enterprises. These weaknesses are regular features of these firms, and they can easily be identified by their restricted span of operations, caused by constraints in management capacity, financial resources available, and scarcity of other key resources.

Onugu (2005), says that these firms are characterised by such common features as labour-intensive production processes;

concentration of management on the key man; limited access to long-term funds; high cost of funds as a result of high interest rates and bank charges; high mortality rate especially within their first two years; over-dependence on imported raw materials and spare parts; poor inter and intra-sectoral linkages; poor managerial skills due to their inability to pay for skilled labour; poor product quality output; absence of research and development; little or no training and development for their staff; poor documentation of policy, strategy, financials, plans, and information system; low entrepreneurial skills; inadequate educational or technical background; lack of adequate financial record keeping; low capitalisation; poor management of financial resources and inability to distinguish between personal and business finance; high production costs due to inadequate infrastructure and wastages; use of outdated and inefficient technology; lack of access to international market; lack of succession plan; and poor access to information. The situation is caused partly by government neglect



and partly by the failure of SME operators. The strategies adopted so far for SMEs in Nigeria have not been effective. Some policies of government on SMEs exist on paper and are not implemented, while some that are being implemented are being done on the basis of wrong assumptions about Nigeria's economic and industrial problems. The situation has persisted without minding the possibility of increasing productive activities and employment through growth of large number of SMEs.

Ogujiuba *et al* (2004) maintain the same position that the manufacturing (micro, small, and medium enterprises) sector is acknowledged to have huge potential for employment generation and wealth creation in any economy. Yet in Nigeria, the sector has stagnated and remains relatively small in terms of its contribution to GDP or to gainful employment. This paper as such, aims at examining the current economic, financial and management situation of small and medium enterprises in Nigeria, in order to explore the best strategies for nurturing and positioning them for growth and competitiveness. The efforts of the government at growing the SMEs have never been based on strategies that factor in local variables considered necessary for the growth and success of the SMEs. This work intends to explore the possibility of developing such strategies to grow the SMEs in Nigeria. There is no doubt that small and medium enterprises all over the world have been at the root of economic growth and development of the developed and developing economies. Apart from majority of small and medium firms being at the base of economic growth in America, Europe, Japan, and Asian Tigers, most of the big ones that recorded important strides in these countries started small. This is the position of Ovia (2001), who observes that the breakthroughs in Information Technology in America were recorded by SMEs, that Microsoft Disc Operating System (MSDOS) was developed in 1980 by Bill Gates and Paul Allen when their company was a small scale enterprise, that DELL computers was founded by Michael Dell as a student when his company was an SME, and that more than 50% of software developers in India fall under small and medium enterprises, and 40% of 500 multinationals source their IT software from India.

These achievements have been recorded, because of good management of environmental and organisational factors and situations existing in these countries. The Nigerian situation cannot be different if all the factors necessary to propel the growth of this important sector are well-managed. The question is: what can be done by entrepreneurs and governments in Nigeria to change the fortunes of these firms, and reposition them for growth and global competitiveness? The present work will provide answer to this question. As such, it focuses on review of the operating environment and circumstances of small and medium enterprises in Nigeria to ascertain the causes of their poor performance, in order to proffer strategies, which can be adopted by stakeholders, in nurturing and positioning them for growth and competitiveness.

#### **ASSESSMENT OF THE OPERATING ENVIRONMENT OF SMALL AND MEDIUM ENTERPRISES IN NIGERIA**

The operating environment of small and medium enterprises in Nigeria is characterised by internal problems and constraints attributable to the SMEs, and by outside constraints coming from the external environment. Ogujiuba, *et al* (2004) confirm in his studies that there are three major problems affecting the

growth of SMEs, namely: inadequate access to finance due to internal management problems, unfavourable macroeconomic environment, and poor infrastructural facilities. The internal constraints are imposed by the available mix of knowledge, skills, finance, materials, marketing and technology, which the SME's can procure. They lack these resources and can scarcely afford to procure them. The situation limits the level of their operations and profitability. The external environment of business, which include political and legal, economic, technological and infrastructural, social and cultural situations have not impacted positively on the development of SMEs in Nigeria. They have proved to be inhibitive rather than being engendering.

#### **SMEs' FUND CONSTRAINTS**

The low level of funds available to SMEs remains a major constraining factor. They lack the capacity to borrow the required funds for their desired level of operations. Collaterals required by institutional lenders are most often not available. Internally generated funds are not easy to come by, because of the low profitability of operations. Successive governments in Nigeria have not done well to make cheap funds available and accessible to SMEs for their operations. They are, as such, faced with high costs of funds and difficulties in accessing them.

#### **SMEs' MANAGEMENT CAPACITY LIMITATIONS**

The determinants for profitable management and growth of the SMEs are the level of management education and training, entrepreneurial spirit and skills, research and planning organisation, management control, team spirit, probity, and accountability, exhibited by the operators of this sector of the Nigerian economy. Managerial problems constitute the most critical factors. As a result of their limited scope of operations, these firms find it difficult to go into research and development, and cannot evolve means and needed products to penetrate their target markets. Most of them lack adequate accounting and internal control systems, team spirit, probity and accountability, because there is no distinction between the business and the owner or owners as separate entities. It is usual to see one man in control of almost every aspect of operation, and the throwing overboard of the principles of prudence and business ethics. There is the fear of either losing control or resources of the business to any capable hand that may be employed to help in the situation. The management of the business then revolves around one man, and his limited ideas and capacity. Onugu (2005) confirms that managerial problems including lack of capacity, clear vision, basic skills, transparency, adequate controls, business plans and business strategies, accountability, proper record keeping, business acumen, and so on, represent the greatest challenge militating against SME's in Nigeria. The situation is worsened by the inability of the SME operators to avail themselves of systematic entrepreneurial development. As a result of their limitations, attitudes, and behaviour, most managers and operators of SME's do not take into account the evolving structure of relationships between different functional areas inside their firms and between their companies and the relevant environment.

#### **INFRASTRUCTURAL CONSTRAINTS AND POOR SUPPORT FACILITIES IN THE NIGERIAN ENVIRONMENT**

The environment of business, though often determined by factors

outside the influence of most managers of SME's, can be managed and controlled to exploit opportunities and to reduce the adverse effects of unfavourable situations and policies. Businesses all over the world are nurtured in an environment with appropriate mix of steady facilities, policies, and incentives that are accessible for the survival and growth of operations. The situation in Nigeria presents a different ball game. It is either that the facilities are not there, or that they are poorly maintained or irregularly supplied. Government policies are churned out every year with the best of terminologies and presentation, but they are marred at the altar of implementation. Abugu (2007) states that the Nigerian business environment is characterised, among others, by the following situation:

- Availability of poor infrastructural facilities such as roads, water, electricity, transportation, communication, and so on.
- Inefficiency and inconsistency in the administration of government incentives and support facilities.
- Uncontrolled competition and barriers from large firms against small and medium firms.

The infrastructural problems usually include lack of access or poorly maintained roads, irregular electricity supply, and lack of safe water. Electricity supply, which is at the basis of industrial or enterprise activities, has been very unreliable and problematic, due to low voltage, load shedding or irregular supply. The dependence by SMEs on irregular supply of the facility has led to consistent interruption in production or provision of services, low output, and consequent low turnover. The efforts of some of the SMEs at providing alternatives usually result in high costs of production or services, because of high costs of diesel consumed by generators and low volume of production by these firms.

Studies conducted by Onugu (2005), show that inadequate, inefficient, and non-functional infrastructural facilities escalate costs of operations of small and medium enterprises, because they are forced into private provisioning of these utilities. The governments at the Federal, State, and Local levels in Nigeria have failed to provide reliable infrastructural facilities as strong back up for developing industrial and business activities. The situation is attributable to failures by government to implement budget provisions, corruption, and lack of accountability. Hence, most small and medium firms in Nigeria are helpless, as they lack the capacity to mitigate the effects of infrastructural and other external constraints on their operations.

#### **INSTITUTIONAL AND POLICY PROBLEMS**

Governments in Nigeria, since independence, have developed policies, and created institutions and funds for the development and growth of small and medium enterprises, aware of the significant role they will play in boosting employment and wealth creation, but these efforts have yielded poor results. The governments over the years have created or encouraged the development of such institutions as Small and Medium Enterprises Development of Nigeria (SMEDAN), Small and Medium Industries Equity Investment Scheme (SMIEIS) by the Bankers Committee, Bank of Industry, Microfinance Banks, Bank of Agriculture (BOA), National Economic Empowerment and Development Strategy (NEEDS), National Directorate of Employment (NDE), National Poverty Eradication Programme (NAPEP), and has also

backed investment and funds from international agencies and organisations, such as European Investment Bank (EIB), United Kingdom Department For International Development (DFID), United Nations Industrial Development Organisation (UNIDO). These efforts have not impacted positively on the small and medium enterprises, because of poor policy implementation. Studies conducted by Mambula (2002), show that firms in Nigeria consider constraints on their growth and performance to include, among others, government policies and attitudes of public officials which adversely affect their businesses, and scarcity of funds as funds earmarked for business and entrepreneurial development are never received due to nepotism and favouritism. However, successive governments in Nigeria have provided fiscal incentives and protective fiscal policies, favorable tariff structure, selective exemption and preferential treatment in excise duties, for industries, including the SME sub-sector. In spite of the efforts by government, no meaningful development and growth has been recorded in the SME sub-sector. Apart from inability to grow, some of these firms are forced into gradual decline and death. A review of the situation raises the question as to what has been responsible for the situation. Government policies, programs, incentives, and actions are characterised by inconsistency and inefficiency, dishonesty, in addition to the existence of political instability and lack of security. The good intentions of government have suffered because of bureaucratic bottlenecks, lack of transparency, and implementation problems. The government would want to promote local industries, but principally aims at implementing incentives to attract foreign investments into the country, so as to achieve the objective. The attraction of foreign direct investment into the country for purposes of setting up more industries is one thing, while industrial revolution involving SMEs is another thing. Industrial revolution cannot be foreign-induced, but has to be locally propelled and energised.

There is equally the institutional problem of bureaucracy and corruption in Nigeria. Bureaucracy and corruption in Nigeria have engendered encumbering situations for industrialisation and enterprising spirit. It takes six months to one year in processing an application for funds or assistance from governmental agencies or institutions, with demands for questionable payments to facilitate the processing. The long delay in processing applications and the questionable payments are negatively affecting entrepreneurial efforts, as most of the SMEs cannot afford the cost and the time.

The revenue collection activities of government agencies at the federal, state and local levels, have also constituted an inhibiting factor to the SMEs due to multiplicity of taxes and levies imposed by the agencies. Apart from company tax, small businesses are required to pay other taxes and levies, such as levy on business premises and road taxes to state governments, who strive to boost their revenue base. Some of the small businesses, who own land and building, and wish to utilise them as collateral for credit facility, are required by state governments to pay specified minimum personal income tax for the chief executive as well as right of occupancy fees, before certificate of occupancy could be issued in respect of such properties. Researches show that the amounts for the minimum personal income tax are usually high, and that the SMEs have been avoiding the payment of the tax and the credit facility, as the tax payment leads to high costs of funds for their operations.

There is no doubt that the costs of doing business in Nigeria



are very high and detrimental to the survival and growth of small and medium enterprises. The World Bank (2011), in its report on doing business in Nigeria, observes that difficulty in securing titles to properties do prevent businesses from getting access to credit. In view of the prevailing internal and external constraints facing the operations of small and medium enterprises in Nigeria, the question is what strategies can be employed to create the enabling environment and to position these firms for growth and global competitiveness?

### **Review of Strategies for Growth and Global Competitiveness**

Strategies for growing of firms can be formulated from expounded economic models or adapted from successful practices of others, but it is more suitable to base strategies on model that captures all the local variables which determine or influence the performance of firms in an environment. The poor performance of small and medium enterprises in the existing Nigerian situation, as has been analysed, calls for strategies to turn around the situation and position these firms for growth. Ponder (2005), describes strategy as both a skill and a definitive high-level plan that results from extensive, integrated, and long-term thinking and decision making; and the way by which management achieve the vision of their organisation. When strategies are put down as plans, they serve as guide for the effective management of opportunities and threats, maximising an organisation's strengths and minimising the weaknesses. Most modern management principles, techniques, and strategies have universal application and adaptability. Possible strategies can be reviewed under (i) Stable political environment and industrial policy; (ii) Strong infrastructural base as effective development strategy to support industrialisation; and (iii) Global best management principles and practices as base for industrialisation.

### **Stable Political Environment and Industrial Policy as a Development Strategy**

Nigeria at the present stage of her development requires stable political environment and industrial policy as strategy, based on correct assumptions about her existing operating constraints that hinder the incubation and nurturing of small and medium enterprises as the engine for her economic development and growth. Aswathappa (2006) explains that a political system that is stable, honest, efficient, dynamic, which ensures political participation by the people, and assures personal security to citizens, is a primary basis for economic development. The countries that have succeeded in nurturing and making SMEs the backbone of their economy were able to achieve that based on political stability and consistency in policy implementation. Abugu (2007), reports that Britain, in the decade between 1979 and 1989, was able to transform her economy by hinging the country's economic policy on enterprise promotion and development, which were in form of loan guarantee scheme, tax incentives ranging from tax holidays to single digit tax rates, linking of SMEs with appropriate technologies and educational institutions, and development of the venture capital industry.

Similarly, Ariyo (2011), identifies the key principles underlying the UK government's approach to development of SME sector to include fostering of an enterprise culture that encourages

innovators and risk takers, providing and maintaining of supportive economic environment, identifying and removing barriers to growth, and providing high quality business support for firms at all stages of their development. Ogujiuba, *et al* (2004) highlights in their studies the following models of funding of SMEs by other countries.

**THE INDIAN MODEL:** With the basic principle guiding the funding of SMEs being that the government regards small businesses as the 'eggs' that hatch big businesses. Apart from adequate incentives, the government supports the SMEs by bulk purchasing of their products and selling them both to domestic and export markets. To facilitate their access to bank credits, the government issues LPOs to SMEs, which banks accept as collateral. When small businesses bid for government contracts with big ones, the big businesses must bid 15% less than small businesses for them to supply government needs. Payments are promptly made to the SMEs and this encourages their growth.

**THE GRAMEN MODEL IN BANGLADESH:** In this model, banks target potential borrowers for its core operations and form them into groups. Then soft loans are made available to these SMEs, repayable within a specific period before others in the strategic group can benefit from the scheme. With this system, there is a subtle pressure from other SMEs that are members of this strategic core on the benefiting to repay so that others can benefit from the scheme. This has introduced healthy capitalisation among SMEs in Bangladesh through factoring the credibility of the borrowers.

**THE BRAZILIAN MODEL:** The main thrust of the Brazilian model is that apart from heavy funding and subsidies, the government provides infrastructure in an area and encourages the cluster of industries in such area. The SINOS VALLEY shoe cluster industries in Brazil have revolutionised the Brazilian shoe industry. For the past 30 years, over 500 SMEs that produce shoes are located there. Today Brazil is the world's third largest exporter of shoes.

### **STRONG INFRASTRUCTURAL BASE AS EFFECTIVE SUPPORT FOR INDUSTRIALISATION**

Lessons from industrialised nations show that they were able to achieve high level of industrialisation with support of strong infrastructural base. Todaro (2007), offers explanations to the success of the developed economies in terms of their rapid industrialisation occasioned by high capacity building, and refers greatly to Kuznets pioneering work in the measurement and analysis of the historical growth of national incomes in developed nations, which defines economic growth by a nation as a long-term rise in capacity to supply increasingly diverse economic goods to its population, with this growing capacity based on advancing technology and the institutional and ideological adjustments that it demands.

Most of the developed economies, whose growth were industry-driven provided the facilities necessary to boost the productive capacity of their industries based on advancing technology, and by fostering needed institutional and ideological adjustments.

### **GLOBAL BEST MANAGEMENT PRINCIPLES AND PRACTICES AS BASE FOR INDUSTRIALISATION**

Global best management principles and practices for running of organisations abound in such areas as Strategic Planning and Management, Research and Development, Marketing, Financial

Management, Advancing Technology, Total Quality Management, Knowledge Management and Business Intelligence, and Effective Management Styles. The operations of an industry need to be based on multi-disciplinary approach and on team spirit for a successful management. Kourdi (2009), suggests that firms, in order to reach the global markets, must position their strategies and resources to offer products and services with acceptable quality and prices, and at costs that enable them to enjoy competitive advantage over other firms that offer similar products and services.

In order to achieve these objectives, the internal organisation of small and medium enterprises must offer this competitive advantage. Management has to acquire the requisite knowledge and skills sufficient to provide the correct leadership that can take their organisations to attain the goal of enjoying competitive advantage. International best management principles and practices can be gained through management education and training, research, and consultancy.

### CONCLUSION

The issues reviewed and analysed in this paper point to the fact that the nurturing and management of small and medium enterprises in Nigeria for growth and global competitiveness rests not only on the managers of these firms, who are in charge of internal organisation and management, but with the governments in Nigeria, who are expected to provide good policies and infrastructural environment for the efficient operation of these firms. When the governments play their roles effectively, the necessary conditions for the evolving of well-managed firms are put in place, and these firms spring up on their own, and based on their internal focus, exploitation of opportunities, maximisation of their strengths and minimisation of their weaknesses, these firms can grow and reach global competitiveness. Nigeria has to learn from the experience of developed economies that relied on their small and medium enterprises to power the engine of their economic development. These countries have one important advantage, and that is, the political willingness to make changes. Most of them did not achieve that in isolation, but had to develop and implement strategies for incubating, growing, and financing of their small and medium enterprises, leading to industrial revolutions. The Nigerian government needs political willingness to correct observed errors and weaknesses in the nation's systems, and to implement remedies based on correct assumptions about the variables at work in the Nigerian economic and industrial environment.

### RECOMMENDATIONS

Although, some of the issues identified in this analysis are common knowledge and are already part of government policies and actions, and that of the SME operators, this work has shown the lack of commitment on the part of government, the ineffectiveness of existing government policies and actions, and the failure of SME operators to conquer existing obstacles with their strategies.

It will, therefore, be necessary to direct attention to measures that will address the lapses in the strategies for growing small and medium enterprises in Nigeria. As such, the following recommendations are made:-

- Development of a long-term economic and industrial blueprint that transcends government transitions.

- The development of a functional industrial policy on SMEs in Nigeria based on strategies that incorporate all the variables at work in incubating and nurturing them at various stages of their development. Adoption of industrial strategies that factor in the possibility of making funds, especially venture capital, constantly available to SMEs and the recycling of the same funds to boost new entrants into the sector, the possibility of low costs of operations, the possibility of increasing demand for the products and services of the SMEs, the possibility of eliminating bureaucratic bottlenecks and corruption from the Nigerian public systems, the possibility of risk reduction, and the possibility of strategic management of the SMEs. Such industrial strategies must be able to transform the SMEs and concentrate them in planned locations with free land and accessible infrastructure like good roads, water supply, communication facilities, and electricity, made constantly available; with free and easy linkages to institutions that foster entrepreneurial and management development; and with proper management education and training made available by government institutions. The Nigerian government has to ask strategic questions on what could be done to eliminate or minimise the constraints and maximise the opportunities in our environment, which will give rise to relevant answers that will guide the formulation of the strategies to boost the growth of SMEs in Nigeria.
- Evolvment of linkage systems for SMEs that will connect them with vital institutions for easy accessibility to information, training, credit, market, raw materials, supplies, research and development, and technology, at various stages of their growth.
- Provision of accessible credit guarantee and insurance cover by relevant institutions for bank lending to SMEs.
- Government patronage, at specified percentages, of services and products of SMEs to boost their performance.
- Evolvment of accountable and transparent systems, procedures, and institutions in government to facilitate quick and honest services to businesses.
- Employment of global best practices in management, marketing, and financial management, by operators of the SMEs with focus on acceptable leadership styles, strategic management, team spirit and management, business intelligence and knowledge management, research and development, and total quality management.
- Acquisition of modern basic and advancing technology for improved and high quality products from small and medium enterprises in Nigeria. The required technology can be engineered locally, and adapted from advanced technologies of industrialised countries. Government has to give the lead, conditions, and directions.

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2. All articles should be typed on standard A4 paper and must not exceed twenty pages in 12-point Time Roman font and double spacing.

3. The title page should include the title and author's contact information (no other page should include author's information).

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- b) List of references: Arranged in alphabetical order in the author-date format, e.g.

## Book Reference

Lucey, T. (1997), *Management Information Systems* (8<sup>th</sup> ed.), London: Letts Educational.

## Journal Article Reference

Wainer, H. (1997), Improving Tabular Displays: With NAEP Tables as Examples and Inspirations, *Journal of Educational and Behavioural Statistics*, 22, 1-30.

## Internet Reference

Baker, F.M. & May, A.J. (2007), *Survey Research in Accounting*. Unpublished manuscript retrieved January, 2008 from <http://www.maybaker.org/journals/webref.html>.

6. Every page must be numbered.

7. Two **Hard copies** of the paper should be delivered to the **Editor, Corporate Communications & Marketing**, The Institute of Chartered Accountants of Nigeria, Plot 16, Idowu Taylor Street, Victoria Island, P.O. Box 1580, Lagos, while the **Soft copy** saved in **Microsoft Word 2007** should be forwarded to [corporateaffairs@ican.org.ng](mailto:corporateaffairs@ican.org.ng) and [aooowolabi@ican.org.ng](mailto:aooowolabi@ican.org.ng)

## 9<sup>th</sup> Northern Zonal Conference

# Unemployment:

## ICAN Calls for Establishment of National Institute of Entrepreneurship Development

**T**he Institute of Chartered Accountants of Nigeria (ICAN) has observed that entrepreneurship is crucial to the growth, expansion and long term sustainable national development of Nigeria. Therefore, it has called on the government to ensure that entrepreneurial skill is embraced by all youths as a way of tackling unemployment.

This appeal was made in Ilorin at the end of the 9<sup>th</sup> Northern Zonal Districts' Conference of the Institute held at Kwara Hotel, Ilorin from April 14<sup>th</sup> – 17th, 2014.

The conference, which has ***"The Imperative of Entrepreneurship for National Development"*** as its theme, was declared open by the Governor of Kwara State, Alhaji Abdulfatah Ahmed.

Apart from the theme of the conference which focused on entrepreneurial skills for national development, there were also five sub-themes presented by experienced professionals. The papers dwelled on various topics such as ***Developing Entrepreneurship to Boost Economic Development in Nigeria; Entrepreneurship and Intrapreneurship: Imperatives of Value Addition to Professional Accountancy; Developing Entrepreneurship in Rural Areas: Issues, Challenges and Prospects; Making Entrepreneurship a National Reality: Drawing from Experiences of India and Israel; The Role of Government in Sustaining Entrepreneurial Development in Nigeria.***

The conference appreciated all ongoing federal government efforts through its National Economic Empowerment and Development Strategy (NEEDS), Transformation Agenda as well as the Central Bank of Nigeria (CBN) development drive including establishment of Entrepreneurship Development Centres and deployment of entrepreneurship to boost Small and Medium Scale Enterprises (SMEs) as well as the Micro Small and Medium Scale Enterprises (MSMEs) but concluded that the schemes did not incorporate entrepreneurial ecosystem.

Participants also posited that the sorry state of unemployment in the country was reflected in the unfortunate recent incident where 522,600 graduates applied for just 5,000 vacancies in the Nigeria Immigration Service. The Conference therefore appealed to government to realise that entrepreneurial mindset is central to the creation, enhancement, and renewal of moral value.

While canvassing for the establishment of National Institute of Entrepreneurship Development by the federal government, participants advised that government can achieve this through Private-Public-Partnership (PPP) arrangement to provide



The 49<sup>th</sup> President of ICAN, Alhaji Kabir Mohammed (left) and Chairman, Northern Zonal Conference, Mr. Olagoke Olaitan

direction and capacity building on entrepreneurship in Nigeria.

"Entrepreneurship spirit must be supported by governments at all levels by addressing the nations infrastructural deficit, including poor power supply, inadequate security, inconsistent government



Participants at the conference





**HRM, Adaku Chilaka Chidume-Okoro (left) and Mr. Tayo Phillips making a Presentation at the conference**

policies, inability to access funds, multiplicity of taxes, unguided and unrestricted importation of goods into the country as well as corruption,” the participants stated.

Earlier in his keynote address, President of ICAN, Alhaji Kabir Mohammed emphasised the relevance of the conference theme at this period in the history of the country, adding that the conference was a way of demonstrating one of the Institute’s contributions to the existence of Nigeria as an indivisible entity.

As a way of finding lasting solution to the unemployment issue in the nation, Mohammed called on the government to consider ICAN’s recommendation for entrepreneurial skills as a way of tackling the menace of unemployment in the country.

In his keynote address, the Kwara State Governor, Alhaji Abdulfatah Ahmed thanked the Institute for drumming the importance of entrepreneurship to the ears of government at all levels. He called on members of the Institute to continue to discharge their professional responsibilities with utmost diligence and shun vices that could bring disrepute to their calling. He said his administration has commenced the process of engaging youths in the state in useful skills to prepare them towards becoming employer of labour instead of looking for jobs here and there. ●



**Mr Sunday Abayomi Bammeko, Mr Tayo Phillips and Alhaji Kabir Mohammed at the Gala Night during the conference**



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# EMERGING POLITICAL DEVELOPMENTS: Positioning Chartered Accountants for Survival in Nigeria

By **PATRICK AYO AKINYELE**

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**I**t is my great pleasure as a fellow member of The Institute of Chartered Accountants of Nigeria (ICAN), representing Ondo Central Senatorial District at the Upper Chamber of the National Assembly to be invited to deliver a lecture titled: ***“Emerging Political Developments: Positioning the Chartered Accountants for Survival in Nigeria”*** at today’s 8<sup>th</sup> Western Zonal District Conference of our great Institute.

Let me start by saying that the current happenings in the Nigeria political space has shown very clearly that there is nothing that is permanent, everything in life is dynamic which supports the generally accepted statement that Change is the only constant thing in nature.

Political occurrences like the merger of political parties, defection of some top politicians from one party to another; de-registration of a few political parties on account of their inability to win a single political office are among others issues generating ripples in different quarters.

On the negative side, the issue of wanton destruction of lives and property courtesy of the *Boko Haram* (Northern Insurgent Group) cannot be wished away as though it does not exist as it is believed in some circles that it is a politically motivated development.

However, the focus of this paper is to examine the major positive political developments in Nigeria nascent democracy and possible strategies that Chartered Accountants should embrace in a bid to survive and add value to the nation as professionals.

## **Emerging Political Developments in Nigeria**

### **1. Liberalisation of the Political Landscape**

Due to different agitations from different quarters not to allow Nigeria to become a two party state owing to the danger it portends for the country coupled with the desire to allow more parties to

emerge at least to give the electorate many alternatives from which to choose, the Independent National Electoral Commission (INEC) registered a number of sixty-three political parties from 1999 to 2012.

This seriously widened the political space and led to the advent of many parties which were founded on similar ideologies. Some are *stylishly based on ethnicity*, some restricted to a particular region of the country while few have the *similitude* of a national party due to its spread like the Peoples Democratic Party (PDP), Labour Party (LP), Action Congress of Nigeria (CAN), All Nigeria Peoples Party (ANPP) and Congress for Progressive Change (CPC) now merged into APC and a few others.

The coming into being of these parties was good but, because majority of these newly formed parties did not evolve naturally, they all seemed fizzled out over time as approximately fifty percent of them were deregistered for their inability to make impact at all the elections conducted making reference to the pronouncement of the electoral umpire; the INEC

However, this is a novel political development in Nigeria as there have never been a time in Nigeria where the number of political parties was up to sixty three.

### **2. Deregistration of Political Parties**

On 6<sup>th</sup> December, 2012, the Independent National Electoral Commission (INEC) announced that it had de-registered twenty eight (28) political parties on grounds of what it described as inability to make impact in the elections conducted meaning that none of the twenty eight political parties was able to win a single seat either in state House of Assembly or National Assembly elections conducted by INEC.

The electoral umpire relied on Section 78 (7)(ii) of the Electoral

Act, 2011 for making this pronouncement. However, the political parties that were affected were aggrieved and this resulted in several court cases.

The last has not been heard about this development as information available at the time of preparing this lecture shows that four law suits have been instituted against INEC over the de-registration of 28 political parties. INEC won three, and lost the fourth suit on 29<sup>th</sup> July, 2013 to the Fresh Democratic Party at the Abuja Federal High Court where Justice Gabriel Kolawole held that INEC has no power to de-register any party on grounds of the section that it relied on in the Electoral Act, 2011.

The Justice in his judgment declared that the section that INEC based its action on, was offensive and not in agreement with provisions of Section 40, 222–229 of Nigeria 1999 Constitution, hence null and void. As this continues, no one can predict what will be the end of this drama as INEC has vowed to appeal against this judgment in a higher court.

### 3. Merger of Some Political Parties

It was a big celebration for the three opposition parties on 31<sup>st</sup> July, 2013 when their application to merge into one political party was approved by the Independent National Electoral Commission (INEC) upon fulfillment of the conditions spelt out in Section 84 of the Electoral Act 2011.

The three opposition parties by the name, Action Congress of Nigeria (ACN) All Nigeria Peoples Party (ANPP) and Congress for Progressive Change (CPC) did apply to INEC on 1<sup>st</sup> July, 2013 to be registered as a single political party in a bid to muster enough political power to wrestle power from the ruling PDP. This is not a new development in Nigeria as it has been happening from First Republic to date as recorded in the political history of Nigeria. Politicians do this to fight a bigger political party when all strategies to gain entrance into the highest political offices have failed.

### 4. Defection of Politicians from One Party to Another

No one would have thought the threat would become a reality when five (5) Peoples Democratic Party (PDP) governors announced their defection to the newly formed All Progressives Congress (APC) on 26<sup>th</sup> November, 2013 due to some reasons best known to them among which they said was to rescue Nigeria from the claws of PDP. The governors are Muritala Nyako (Adamawa), Rabiun Kwakwanso (Kano), Abdulfatah Ahmed (Kwara), Rotimi Amaechi (Rivers) and Aliyu Wamako (Sokoto).

Information gathered from the tabloid also have it that at least thirty-seven (37) PDP and House of Representatives members had also cross-carpeted to the APC and more are also expected to follow suit in both chambers of the National Assembly before the end of the first quarter of year 2014. This may likely change the political equation of Nigeria but no one knows what will be the end.

However, these actions by defecting legislators as proposed, may not be protected by the provisions of Section 68(1)(g) of

**"Chartered Accountants should begin to participate actively in the political activities at wards, local governments, states and federal level and we should spread ourselves among the major political parties so that we can be well positioned to take up the mantle of leadership in our great Country Nigeria"**

the Constitution of Federal Republic of Nigeria which provides that 68 Section (1): "A member of the Senate or of the House of Representatives shall vacate his seat in the House of which he is a member" if 1(g): "Being a person whose election to the House was sponsored by one Political Party, he becomes a member of any other Political Party before the expiration of the period for which that House was elected."

Provided that his membership of the latter political party is not as a result of a division in the political party of which he was previously a member or a merger of two or more political parties or factions by one of which he was previously sponsored."

As we watch what will be the impact of this defection in the life of an ordinary Nigerian, one thing that should be clear to all is that

politicians do not have permanent *enemies or friends*, what they have is *permanent interest* and they will keep moving until they get to where their interest will be fully protected. Today, I made bold to say that Nigeria have a Senate President: Distinguished Senator David Mark, GCON, that is loaded with wisdom to keep Nigeria as one indivisible entity, despite the challenges facing our nascent democracy. He is a man loaded with legislative experience and I use this medium to give him high commendation for his achievements to keep Nigeria as a "*going concern*".

### Positioning Chartered Accountants for Survival

With regards to the above political developments, Chartered Accountants need to be more pro-active and calculative and expect that change of office will always occur either through transfer or replacement or in whatever name called especially for Chartered Accountants working with government, because as new set of politicians come in, they will always want to fix their team members at strategic positions to cover their track. In all this, Chartered Accountants must always remember that their professional independence should not be compromised at all levels.

This is not new in Nigeria as the same practice happens in other parts of the world either in Africa, Europe or America except for officers whose appointment and removal is regulated by the Statute or Acts of Parliament. However, Chartered Accountants both in public office and private sector can stay afloat of the vagaries of the political terrain, if we can embrace some of the survival strategies suggested below:

#### 1. Development of Courage and Interest to Join the Decision Makers – (A call for More Chartered Accountants in Politics)

Chartered accountants should now be prepared to be in active politics and start joining the decision makers by becoming card carrying members of major political parties in Nigeria. This will ensure that we are not just "instruction takers but instruction givers". Enough of taking instructions from politicians, that we are equally as **qualified, brilliant and informed** as they are. Nobody is born a politician; you are all professional Accountants by choice but you can also be a politician by calling to enable you add value

to the people you choose to represent and above all, to use your professional training and expertise to add value to Nigeria as a Nation, so that generation yet unborn will continue to benefit from legacy left behind after our passage.

Therefore, Chartered Accountants should begin to participate actively in the political activities at wards, local governments, states and federal level and we should spread ourselves among the major political parties so that we can be well positioned to take up the mantle of leadership in our great Country Nigeria full of abundant natural and human resources for economic and political development.

The likes of Distinguished Senator Ibikunle Amosun (FCA) the current governor of Ogun State, Chief Ugochukwu Stephen Nwankwo (FCA), the 37<sup>th</sup> ICAN President, being the former Deputy Governor of Anambra State, Joshua Dariye, FCA former Governor of Plateau State now a Distinguished Senator representing Plateau Central Senatorial District and my humble self – Distinguished Senator (Dr.) Ayo Akinyelure, FCA representing the democratically enlightened people of Ondo Central, have shown that Chartered Accountants can also be the best breed of politicians this country can produce as they have always left office with the best of achievements compared to other professionals.

Any visitor to Ondo Central and Ogun State now will attest to the fact that what others might not be able to do beautifully, accountants can do magnificently in nation building as the level of development presently being handled by the governor of the states in roads, hospitals and schools construction leave no doubt that Chartered Accountants can always do better if democratically elected to represent their people at various level of Governance. Today as the Senator representing Ondo Central, I have demonstrated the passion of a Chartered Accountant by adding value to my Constituency in terms of constructing and operating a Constituency Office edifice with Skill Acquisition Centre attached to it, where many graduates are trained freely to acquire skill for self development within my first year in office, commissioned by His Excellency, the Executive Governor of Ondo State, Dr. Olusegun Mimiko, and the Iroko of Nigerian Politics, precisely on the 12<sup>th</sup> June, 2012.

What is happening now in some States governed and represented by Chartered Accountants at Upper or Lower Chamber of the National Assembly in terms of infrastructural development will remain a long time standard or bench mark for measuring the performance of other State Governors or Senators of Federal Republic of Nigeria if not the whole of Africa. Worthy to mention also is the courage of Hon. Adeola Solomon Olamilekan (ACA), Hon. Ajatta Joseph Jayeola (FCA) and other Chartered Accountants too numerous to mention who have proved their leadership qualities as Chartered Accountants in the House of Representatives and as good ambassador of the Institute of Chartered Accountants of Nigeria (ICAN) in the Legislative Arm of Government of the Federation.

Above all, young chartered accountants should desist from the general saying that politics is a dirty game. Is it truly a dirty

game? or it is worth the sacrifice for chartered accountants to go into Politics and demonstrate our watch word “Integrity” which is the only thing that can make our nation great. As it is written that “*Righteousness Exalts a Nation but Sin is a Reproach to any People*” (Proverbs 14:34). Therefore, Politics is about leadership. Anybody who wants to be a leader must be prepared to be a dust bin where dirty things and waste are dumped in the first instance but later, will turn to manure field where crops germinate and fruits are harvested. This is what is called dividends of democracy: The road to leadership is very rough and dirty hence, politics is called a dirty game.

***"In this era of dwindling Government Revenue, Accountants should now be the think-tank for the politicians on the acceptable, informed, legal and efficient ways of generating more revenue for the government by evolving new ideas of raising money and employing cost benefit analysis in advising the government on projects to embark upon"***

## 2. Diversification of our Intellectual Capacity

It is high time for chartered accountants to start thinking outside the box. The era of seeing accounting, taxation and auditing as our core areas of specialisation is gradually fading out, we need to diversify our learning capacity to other lucrative fields like telecommunications, oil and gas, information and communication technology (ICT), entertainment, construction, consultancy and farming to develop our great nation to greater heights.

This is so as we possess the capability to project into the future concerning the feasibility or otherwise of a project. We can handle it, what is required is for us to leave

the comfort zone of giving advice and take the bold step by investing our resources both human and capital, in these other fields to make more money and be relevant to our nation. Accountants working as consultants to State and Federal government on Medium Term Expenditure Framework and other World Bank consultancy jobs are making good money in hard currency. Efforts acquired through professionalism because of diversification to other sectors of the economy add value to development of the Country in general.

In the same vein, there are now a lot of professional lawyer-accountants, Chartered Accountants will survive easily if we have a lot of “Engineer-Accountants”, “Construction-Accountants, ICT Specialist-Accountants” and farmers-Accountants who are entrepreneurs (the owners of their businesses) or the chief executive officers (CEO) of Public Quoted Companies (PLCs). This is achievable, we only need to train ourselves to acquire these bundle of knowledge that seem parallel to Accountancy Profession.

The summary of this point is that Chartered Accountants should now learn to be versatile in at least two major human endeavours which presupposes that any Chartered Accountant willing to survive without stress should be able to “multitask”. He must be determined to be a goal getter, a visionary leader, committed to what he believes in and success will be achieved through dedication, honesty and hard work.

## 3. Developing Capacity to be The Think-Tank/Financial and Economic Strategists for the Top Politician-Chartered Accountants in Business/or in Public Sector

Another strategy that will be useful in the face of shaking



political environment is for Chartered Accountants to be on top of their game; i.e. we should be anticipatory in our thinking in providing solution to the economic/financial needs of the nation.

In this era of dwindling Government Revenue, Accountants should now be the think-tank for the politicians on the acceptable, informed, legal and efficient ways of generating more revenue for the government by evolving new ideas of raising money and employing cost benefit analysis in advising the government on projects to embark upon.

If the politicians see the Accountants as Google (Always providing answer) in the sense that we will also provide a workable advice and drive the strategy through whenever there is a problem like coming up with the best financing option for the government, the Chartered Accountants will always command their place of pride as they will be very relevant and recognised in all ramifications.

This may require regular research, being up-to-date with current political and economic occurrences/trend and arranging for joint brain-storming session with other professionals. Finally, the Mandatory Continuing Professional Education (MCPE) programmes organised by the Institute to update its members of current development should, also be given priority attention by both members in practice and in politics to keep abreast of development in our profession.

#### 4. Passing on the Baton of Kindness

Not minding what the turbulent political environment that Nigerians still face, Chartered Accountants can still survive if the privileged ones in the profession will always pass on the baton of kindness that God has made available to them by bringing up other Accountants at the lowest rung of the ladder.

History will continue to remember some of our members who were Managing Directors and Executive Directors of banks in Nigeria for good, for their wisdom that led to the employment of large number of Chartered Accountants in their banks now and some years back. This is one of the reasons why those banks are among the best banks in Nigeria it terms of professionalism, efficiency and sound financial reporting yesterday and today, as best brains and hands were massively engaged to manage the finances of the banks to maturity and greatness.

This, some of them did, upon their appointment as the Chief Executive Officers of some banks. They received baton of kindness and they passed it on to others to add value to the Economy.

Similar occurrence had also been observed in the Federal Inland Revenue Service (FIRS) where one Executive Chairman of the Agency who was also a Chartered Accountant and who knows and feels the quality of Chartered Accountants, demanded from the Board of the Federal Agency that, for the Agency to achieve its annual target on revenue generation, set by the Executive Arm of Government, the board should allow the Management engage the services of Chartered Accountants to head key departments

of the Agency for efficiency and accountability like: Audit and Investigations, Revenue Monitoring, etc. No wonder, FIRS is the only Agency of the Federal Government that has performed the wonders of generating revenue in excess of its annual budget in recent times. This is highly commendable. Today, FIRS has distinguished itself as efficient and highly rated Federal Government Agency, that has performed beyond the expectations of ordinary Nigerians in revenue generation.

The message here is that Chartered Accountant at the corridor of power should be ready to help upcoming Chartered Accountants so that we can all survive together because the cord that binds us together is stronger than any cord that binds us with any client hence, we must be prepared to assist young Chartered Accountants to grow and excel in all fields of human endeavours we find ourselves.

#### 5. Making Our Impact Felt in the Making of the Macro-Economic and Financial Policies of the Government

Chartered Accountants should also be in the fore-front of forecasting or projecting for the nation on the way the country is going macro-economically and financially. We should be vocal through the print and electronic media. We should use the social media to advice the government on the financial future of the country, digging deep into the use of the Medium Term Expenditure Framework (MTEF) as this is now the agreed basis for preparing the annual budget, encouraging government to comply more with

the Fiscal Responsibility Act, highlighting areas of wastages and strategies to stop them, etc. Encouraging Government to look inward and place much emphasis on non-oil revenue to improve significantly the Internally Generated Revenue (IGR) of Federal Government of Nigeria. For example, revenue from Stamp Duties on Cashless transactions alone is conservatively put at over N2trillion annually. This is an area where Federal Government needs to tap to wipe away all budget deficits and regularise the unbalance in sectorial allocation of resources to boost development.

Doing the above will make it clear to politicians and electorates that Chartered Accountants are invaluable in the country. Therefore, regardless of the emerging political adventures, Chartered Accountants will always find relevance and as such will

survive all odds as we will be well sought after with good pay hence, our survival will be guaranteed in spite of all odds.

The strategies above, if well analysed and worked on and put into practice, Chartered Accountants will be well positioned to survive the future regardless of the uncertainty in the political structure of the country. ●

**\* Senator Patrick Ayo Akinyelure, FCA delivered this paper at the 8<sup>th</sup> Western Zonal Districts Accountants' Conference in Lagos.**

***"Politics is about leadership. Anybody who wants to be a leader must be prepared to be a dust bin where dirty things and waste are dumped in the first instance but later, will turn to manure field where crops germinate and fruits are harvested. This is what is called dividends of democracy: The road to leadership is very rough and dirty hence, politics is called a dirty game"***

# Entrepreneurship and Self-Reliance: Building an Entrepreneurial Economy

By **'TUNDE POPOOLA**

## INTRODUCTION

**W**ith the collapse of the last vestiges of the socialist economic system in 1991, virtually the whole world has embraced free enterprise economic system. Entrepreneurship is the cornerstone and at the heart of the free enterprise economy.

Entrepreneurship is a recent field of study but its practice has been with us over generations. But what is entrepreneurship? Since this is not an academic paper, the definition of entrepreneurship by Wennekers and Thurik (1999, p.46) is comprehensive and suffice us here. They defined entrepreneurship as “the manifest ability and willingness of individuals, on their own, in teams, within and outside existing organisations, to perceive and create new economic opportunities (new products, new production methods, new organisational schemes and new product market combinations) and to introduce their ideas in the market, in the face of uncertainty and other obstacles, by making decisions on location, form and the use of resources and institutions”. This definition supports Schumpeter’s (1961) entrepreneurial creative disruption thesis which stipulated the carrying out of new combinations through five different cases, viz:

- The introduction of a new product or good.
- The introduction of a new method of production.
- The opening of a new market.
- The conquest of a new source of supply of raw materials or half-manufactured goods.
- The carrying out of the new organisation of any industry.

The human societies over generations have always craved for better and more comfortable means of existence and sometimes, survival. The basic needs to cloth, feed and shelter give way for demand for products and the need for production. This phenomenon has graduated to a level of sophistication in virtually all areas of human existence to do things better and cheaper, to live more comfortable lives, to get to our destinations faster, to store and protect our assets and even to fight wars with more decisiveness and less human casualties. In an attempt by man to live a more decent, and sometimes, more sophisticated life, he embarks on adventurous maneuverings and experimentations and in the process, discovers new and better ways of production and product/service delivery. Entrepreneurs make us live better. Can you imagine the world without motor vehicles, ships, airplanes, electricity, telephones, clothes, shoes and sandals, books, just name it, from the basic items to the complex ones.

Entrepreneurship makes all these possible and we have now taken them for granted. Thus an entrepreneur organises the other

factors of production such as land, labour and capital to deliver products in form of goods and services. An entrepreneur is a risk taker; he marshals resources in the face of risk to pursue an opportunity, the needs of the market place. He creates an operating business organisation, either alone or with others, to implement the opportunity-motivated business idea. And in an attempt to create wealth and meet personal and corporate objectives, he satisfies the effective needs of the market and the consumers.

It is important to note that the factors of production can be owned either by government or private individuals and entities. Experience has shown that free enterprise, which encourages entrepreneurship, self reliance and private ownership of factors of production, makes society moves faster and human beings more prosperous than when government owns and controls the factors of production. Essentially, economic growth and development are achieved faster under a free enterprise economic system. This is because business creation holds the key to economic growth and development or to prosperity in a free enterprise economy. And the creative destruction going on in the world propelled by innovation and fuelled by information and communication technology has made entrepreneurship interesting and a topical issue in most part of the world.

There is no doubt that as an entrepreneur, there are many benefits in making production possible in collaboration with others, or on your own. You are your own boss. You enjoy the profits from your efforts and experience financial independence. There is a sense of pride in your business and you will create wealth and employ people. You enjoy flexibility in your work schedule. You may actually be engaged in your passion, doing what you like and enjoy. You will be able to contribute to the upliftment of the family and the larger society. However, owing and/or running a business also has its own stress. You may need to put in long hours. You need money and skill to start and grow. You will have to keep up with government rules and regulations. You may, from time to time, have to make hard decisions of hiring, firing, etc. Above all, you may lose money. But the benefits of being entrepreneurs or self-employed far outweigh the challenges.

## ENTREPRENEURIAL EFFORTS IN NIGERIA

The 2012 Global Entrepreneurship Monitor (GEM) has empirically identified Nigeria as one of the most entrepreneurial countries in the world. The study shows that 35 out of every 100 Nigerians (over a third) are engaged in some kind of entrepreneurial activity or the other. The only countries that have better records in sub-sahara Africa are Malawi (36%), Uganda (36%), Ghana (37%)

Entrepreneurial Activities in Nigeria Compared with Taiwan and Malaysia				
Countries	Perceived Opportunities (%)	Perceived Capabilities (%)	Fear of Failure (%)	Entrepreneurial Intention (%)
Nigeria	82	88	21	44
Average for Sub-Saharan Countries	70	76	24	53
Taiwan	39	26	38	25
Malaysia	36	31	36	13
Average for Asian Countries	30	32	41	17

Source: GEM Global Report, 2012

and Zambia (41%).

This revelation should not be surprising. An average Nigerian is entrepreneurial in nature and in action. An average Nigerian adult would have tried his/her hand on a trade, business, contract or deal in a lifetime, for the purpose of wealth creation, no matter what he or she does for a living. Quite a lot of those who are not full time entrepreneurs or in self-employment have one or two business initiatives running by the side. A statistical evidence has been established through research to corroborate this position.

In 2012, according to the GEM report, Nigeria led the whole world in terms of the desire to explore available opportunities for starting a business and for possessing the self confidence to start one. The survey shows that Nigerians have high perceptions about the presence of good opportunities for starting a business and also believe that they have the skills and knowledge necessary to start a business. The study confirms that more Nigerians pursue entrepreneurial activity due to perceived opportunities than out of necessity. Nigeria also exhibited one of the lowest levels of fear of failure in the world indicating the readiness to start and run a business without fear of failure.

It is interesting to note that Nigerian youths are excited about entrepreneurship and entrepreneurial opportunities. About 82% of Nigerian youths perceive a good opportunity for starting a business while 86% believe that they have the skills and knowledge necessary to start a business.

The Nigerian experience is an interesting phenomenon. As a country endowed with abundant natural resources, one would have expected a leaning towards the theoretical postulation that entrepreneurial efforts and activities tend to be low in a natural resource-abundance economy, as there is always no incentives to strive. But this seems not to be the case for Nigeria. Furthermore, the rate of interest in entrepreneurship may have to do with the level of economic development. Development economists contend that entrepreneurial activity declines with the stages of development. It may therefore be the case that entrepreneurial activity is high because of our level of development.

**WHAT IT TAKES TO BUILD AN ENTREPRENEURIAL ECONOMY**

But here is the paradox. The World Bank in its May 2013 Nigerian Economic Report highlighted that the number of Nigerians living in poverty was increasing too rapidly. It also said that Nigeria's

annual GDP growth rates of 6 to 8 per cent, as impressive as it looks, is not capable nor sufficient to reduce poverty in the country. This description is corroborated by statistical evidence. For example, while 28.1 per cent or about 17.7 million Nigerians were in poverty, earning less than the proverbial one dollar a day by 1980, this had moved to 67 per cent or 112 million people by 2012. Nigeria is afflicted with quite a lot of other paradoxes. If a typical Nigerian is inclined towards starting and running a business irrespective of his primary employment and if a typical Nigerian is excited about entrepreneurship and has relative confidence in starting and running a business, why is the rate of unemployment high and the rate of poverty on the rise? After all, entrepreneurship and self-employment are meant to promote wealth creation and employment opportunities.

The above phenomenon may not be unconnected with the absence of enabling factors which make entrepreneurship to thrive. There are minimum requirements to succeed as an entrepreneurial nation. It is not sufficient that citizens are passionate about working for themselves and striving to be successful entrepreneurs. They must be empowered. Nigeria is confronted with the challenges of its level of development, poor state of socio-economic infrastructure, high level of corruption and low quality of governance, low financial and credit penetration, multiplicity of levies, taxes and charges, etc. All these conspire to make it difficult for interested persons to successfully start and run their businesses. The 2012 GEM report showed that in Nigeria, only 16 per cent of new businesses survived beyond 42 months.

GEM classifies economies as factor-driven, efficiency-driven or innovative-driven. This categorisation is based on the World Economic Forum (WEF) Global Competitiveness Report, which identifies these three phases of economic development based GDP per capital and the share of exports comprising primary goods. Nigeria is classified a factor-driven economy, dominated by subsistence agriculture and extractive businesses with a heavy reliance on unskilled labour and natural resources with the attendant implications.

For entrepreneurship to meet the aspirations of our political leadership of serious wealth creation, employment, poverty alleviation and value-reorientation, a lot still needs to be done. But as an economy trying to imbibe and uphold the tenets of western democracy and with a posture of free enterprise, we do not have many options; we just need to do the basic.

The Doing Business 2014 exposed the weak nature of our



situation. Enumerating the overall ease of doing business among 189 economies in the world, Nigeria ranked 147. South Africa (41st), Botswana (56th), Ghana (67th), Ethiopia (125th) and Kenya (129th) all fared better from the sub-Saharan Africa. In specific, the 2014 position showed that in starting a business, Nigeria ranked 122 out of 189 economies as it takes an average of 28 days and compliance with about eight procedures. Access to reliable and affordable electricity, is vital for business. Yet in Nigeria, Doing Business 2014 finds that getting electricity requires eight procedures and takes an average of 260 days, placing Nigeria at 185 out of 189 economies ranked on the ease of getting electricity. These indices point to the fact that starting a business is characterised by costly, duplicated and cumbersome processes.

Significantly, Nigeria did not witness material improvement over the last ten years in most of the indices except in access to credit. Nigeria had an impressive growth in access to credit by ranking 13 out of 189 economies on the ease of getting credit. The availability of credit information and the continuous strengthening of legal rights for borrowers and lenders make this possible.

As a developing economy, we need to provide certain infrastructure and enable certain environment that would make entrepreneurship to thrive. These include favourable business policies and regulations. Our unacceptable low level of unfriendly environment in galvanising entrepreneurship is captured by the 2013 Doing Business Index in registration days, legal issues, access to capital, etc.

Though Nigeria is doing a lot in the area of promoting access to finance, Nigeria's credit penetration rate is still abysmally low, among the lowest in the world. In the same vein, the depth of our capital market is low and unable to support financing small and medium enterprises. To overcome these, there is the need to fast-track the reform process in the financial services sector including deepening and strengthening the credit bureau infrastructure; it also requires the introduction of collateral registry. In addition, securing creditor rights and promoting an efficient judicial system is imperative.

The 2012 GEM Report confirms Nigeria as an entrepreneurial nation. Most of Nigerians believe and see opportunities in entrepreneurship and are ready to start and run a business. This provides ample opportunity for government and policy makers, at all levels of government, to use the promotion of entrepreneurial activities as a strategy for poverty eradication, wealth creation, employment generation and sustainable development. Issues relating to policy formulation, business development, capacity building and funding options are recommended to be given priority to be made available to as many Nigerians as possible. It also provides ample opportunity for research into various aspects of issues relating to entrepreneurial activity and development.

Entrepreneurship can help to address the challenge of high rate of unemployment. The solution to unemployment would have to be tackled by formulating policies and programs that would lead to job creation in the short and long run. Job opportunities should come in two main ways to the teeming unemployed – gainful employment by established businesses and government, and self-employment or entrepreneurship.

In the short run, Nigeria needs to promote those sectors with the growth prospects for them to perform to their greatest potentials. Agriculture, Information Technology, Solid Minerals, Oil and Energy as well as the Service sectors are good examples where right policies can drive transformation that would lead to huge productivity and

employment opportunities especially of young Nigerians.

A good agricultural policy should drive agriculture away from subsistence farming, to large scale commercial farming, use of technology rather than manual implements and ability to plant, cultivate and preserve products throughout the year. Beyond this, agriculture has a robust value chain which, if well structured and with the right policies, can lead to Nigerians engaging in all the different activities along the chain. The policies would include incentives to produce raw materials and process them rather than exporting raw agricultural products; they would also include measures to discourage importation of all sorts of semi-processed agricultural imports. The re-introduction of the successful farm settlement schemes of the post-independence era should help in this agricultural re-awakening. These are practical ways to make agriculture become attractive to the educated youths.

The Information and Technology industry is a service industry and it holds a lot of growth potentials. Presently, IT assimilation is very low at internet penetration of 22.1 per 100 people, broadband penetration of 6.1 per cent and a mere 3.5 per cent contribution to the nation's GDP. Yet, this is one sector that can employ a lot of young Nigerians without heavy start up costs and working right from their homes. It would be interesting to enhance IT usage in government and in the rural areas. This way, quite a lot of youths can find meaningful employment opportunities in the information and communication sector.

The oil and gas and minerals sector is another sector of our economy with high prospect of employment generation. Presently, we record jobless growth in the oil and gas industry because Nigerians are shut out of active participation in the sector and also because our crude oil is sold as crude rather than as refined products. We need to diligently implement the provisions of the Petroleum Content Act to enable Nigerians increase their stakes in the industry while petroleum refining should be given a priority. These windows of opportunity are capable of generating wealth and enduring entrepreneurial opportunities.

Apart from oil, Nigeria is blessed with so many other natural resources. Nigeria has thirty four unexploited minerals apart from oil and gas. Opening up this area would generate huge entrepreneurial opportunities for Nigerians. For instance, the exploitation of the vast deposit of bitumen alone will result in the twin benefit of generating massive employment and affordably improving our road transport infrastructure, with the attendant multiplier effects on the economy.

The housing sector is another area where significant job creation can be achieved while also addressing the social problem of severe shortage of decent accommodation among our teeming population, and this calls more for policy intervention to promote long-term housing finance than the half-hearted measures dotting the entire sector. Similarly, the fashion tastes of Nigerians are such that support the domestic textile industry whereas infrastructural constraints have made this sector largely extinct. Given its backward integration to agriculture and huge employment it offers by the labour intensity of its operations, and of course the large domestic market offered by the country's population, this sector also has the potential to contribute substantially to job creation.

In most of the growing and exciting sectors, including in services and professional callings, franchising has become a valuable tool to explore to start and run a business with ease. Franchising always provide the required products and services to meet international quality, give opportunity for marketing support and give technical

and capacity support to adapt and manage the products and the business. With the efforts to improve the environment and provide infrastructure, security, stability, right policies, etc, a lot of good international brands are looking for credible Nigerian entrepreneurs to do business with.

Improving the availability of electricity alone has been identified as, perhaps, the most important factor that can lead to a leap in our productivity, wealth creation and job creation. In the midst of myriads of challenges like weak infrastructure, low skills level of human capital; low levels of national outputs are the eventual result. The right fiscal policy is required to support accelerated infrastructural provisioning which on its own can be source of direct employment but, more importantly, bring down cost of production.

In the medium and long term, we have to carry out an overhaul of our educational curriculum to make it more entrepreneurial and to improve its quality. We need to produce university graduates who can really bring a lot of skills in to the labour market. We must produce 'opportunity entrepreneurs' from the products of our tertiary institutions who would see opportunities in our huge population, demographics and the natural resources that we are endowed with and be ready to start and run their own businesses. We also need to bring back the vocational schools, the skills acquisition centres and technical colleges to produce quality artisans and professionals like painters, plumbers, furniture makers and the like, who can compete with their professional colleagues from any part of the world.

## CONCLUSION

This is one of the best of times to pursue self-employment and entrepreneurship. Nigeria is one of the very best countries now offering more paths to wealth creation than many others.

Nigeria's GDP growth rate of between 6-8 per cent in the last ten years shows the country as one of the fastest growing economies in the world. The implication is that any good business established is capable of generating unusual and above average returns. It is one of the few countries with the highest returns on investment anywhere in the world – money market, capital market, mutual funds, real estate and property, entrepreneurship, etc.

Nigeria is the most populous country in Africa with an estimated population of about 170 million; and increasing at the rate of 2.379% on annual basis would make us the fourth populous country by 2050. We are the largest economy in West Africa contributing 62.38% of the region's GDP and 53.5% of the region's economically active population. We are about to overtake South Africa as the largest economy in Africa. Nigeria is the largest producer of crude oil in Africa and also the second fastest growing grass producer in the world.

Furthermore, a lot of efforts, actions and commitments have gone into enhancing the investment environment to make the economy be driven by the private sector. Few examples of these include special funds in form of grants and loans with low finance charges, some pockets of government policies to incentivise interest in certain specific sectors, privatisation, some legislations, and fiscal incentives in some states and at the federal level, etc. These phenomenal enlarge free enterprise. We are in the wake of an economic renaissance with an array of policies to modernise farming and make it commercially viable, the reforms in the financial services industry towards financial inclusion and promotion of financial infrastructure, the new attempt on power reform, sustainable democratic governance, positive

demographics, high foreign direct investment inflows, various efforts in building capacity and providing funds for self-employment and entrepreneurship, etc. As a factor-driven economy, Nigeria is striving to migrate to an efficiency-driven economy. It is an economy with high growth prospects and still far away from maturity. Those going into entrepreneurial activities and self-employment now are going to be the major beneficiaries of the changing business climate, the array of government incentives and initiatives, the enhanced demand and the possible effects of globalisation.

Moreover, we are currently living in the best time in all of human history for achieving financial independence and success. As a result of new information and knowledge, technological innovations, globalisation and increasing customer demand, there are more opportunities today than it has ever been for me and you to achieve financial independence and become wealthy. And most nations, go through this experience, only once in a generation. As chartered accountants, pure brain power can today lead you to wealth. Our services are required as accountants, auditors, consultants in taxation, strategy, business formation and combination, training, etc. We are in the best profession equipped to benefit maximally from the array of opportunities provided by the economic and political environment and our stage of development. Just as the legal profession has benefitted immensely from our return to democracy, professional accountants are best positioned to benefit more than any other professional, from the opening up of the economic and commercial environment.

A significant number of us run our firms as full owners, thereby embracing self-employment. I believe we will grow faster and have more sustainable and successful firms, if we encourage ourselves into partnership and move away from 'silo paradigm'. As knowledge workers and as a service industry, partnerships make it easy to gather competence, broaden expertise, raise funds, and acquire quality franchise and international collaboration and much more, to win big profitable deals and engagements.

Besides, as accountants, we are trained to make a success of any business either in terms of general management or in structuring. We should therefore not limit ourselves to the opportunities that abound to practice in the broad areas of accountancy but to go into other areas such as agriculture, education, housing, ICT, tourism, oil and gas, etc.

I hope you are ready to take advantage of the gathering momentum. I wish you all the best as you do.

Thank you for your attention.

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\* Mr. 'Tunde Popoola, BSc., FCA, presented this paper at the 8th Western Zonal Districts' Conference of ICAN in Lagos.

# Human Resources Accounting Practice In Nigeria

## A PILOT STUDY OF RESEARCH INSTRUMENTS

By MARY ADA OGENYI

*This work is a pilot study of research instruments developed to examine the extent (if any) of the practice of Human Resource Accounting in Nigeria. A qualitative approach was employed using inferential statistics. Statistical tools were used to analyse the objective and answer the research question. Primary data were collected through questionnaires developed using the Likert scale format. The scale's internal consistency was measured to determine if it consistently reflected the construct it is measuring with the aid of Cronbach's alpha coefficient. The instruments were found to be reliable with a Cronbach's Alpha score of 0.972. The hypothesis formulated was tested using Multivariate analysis of variance (MANOVA). The result showed f-value to be 0.568 and P-value, 0.091. F-value of 0.568 is significant. Since P-value is greater than the given alpha level ( $0.091 > 0.05$ ) the null hypothesis is accepted. This indicates no significant evidence of Human Resource Accounting Practice (HRAP) in Nigeria. The outcome of the pilot study revealed that the procedures followed were appropriate for the stated objective and the instruments are reliable and effective given the result of the tests. The study recommends that Human Resource Accounting practice be closely examined in accounting research if for no other reason but for the challenge the accounting profession is currently facing in the area of accounting for the human resources-the most valued asset.*

### Introduction

**H**uman Resource Accounting involves accounting for the company's management and employees as assets that provides future benefits. In the Human Resource Accounting approach, expenditures related to human resources are reported as assets on the Statement of Financial Position as opposed to the conventional accounting approach which treats costs related to a company's human resources as expenses on the Income Statement that reduce profit. It also involves sophisticated calculations requiring estimations, assumptions and variables that need to be considered.

Two major issues considered in Human Resource Accounting are the recognition of the most appropriate approach and assigning monetary values to different dimension of human resources cost, investment and worth of the employees. Verma and Dewe (2006:14)

states that human resources need to be measured in terms of their strategic management potentials expressed through such concepts as human value management and human resource expense models.

### Statement of Problem

The role and the importance of Human Resource Accounting have been established in theory, however, its practice is still in contention. Opinions differ widely as to whether human resource accounting is actually employed by practitioners and managers (Johansson *et al*, 1998). Despite the increasing interest in Human resource Accounting, it is surprising that little academic and empirical research has been conducted on its practice generally and specifically in Nigeria. Publicly available literature reveals that a large portion of the research comes from the Asian world.



### Research Question

The basic question that needs to be answered in this study is – what is the extent of Human Resource Accounting Practice (if any) in Nigeria?

The objective of the study is to ascertain the extent of Human Resource Accounting practice (if any) in Nigeria through a study of manufacturing companies and establish the reliability and validity of research instruments.

The hypothesis formulated for this study has been presented in both the null and the alternative forms. The null hypothesis is represented by the symbol  $H_0$  and the alternative by the symbol  $H_1$

$H_0$ : There is no significant evidence of Human Resource Accounting Practice (HRAP) by companies in Nigeria.

$H_1$ : There is significant evidence of Human Resource Accounting Practice (HRAP) by companies in Nigeria.

### Significance

Though this study is a pilot study of research instruments, it is expected that the empirical evidence on Human Resource Accounting Practice in Nigeria will contribute and enhance literature in this field of study by adding new knowledge to the existing Human Resource Accounting literature.

### Review of Related Literature

The interest in the idea of accounting for people as organisational resources marked the birth of an emerging interdisciplinary field of research known as Human Resource Accounting (Flamholtz, 1974:44) synonymously referred to as Human Capital Accounting or Human Asset Accounting. Prominent among the researchers are Sadan and Auerbach (1974); Lev (1997); Schmidt, Hunter and Pearlman (1982) and Flamholtz (1985 and 1999). These researchers focussed their research on how best to measure human resources in monetary terms. Their contributions led to the suggestion of the human resource cost accounting and the human resource value accounting models. These models came with various challenges related to the method of calculating human resource values for its peculiar use either for managerial decision or investment decision making.

In terms of the definition of Human Resource Accounting, there is a myriad of them but none is generally accepted. However a general concept has been provided by the views offered by many authors in the field. The American Accounting Association's Committee on Human Resource Accounting (AAA, CHRA, 1973:169) conceptualises Human Resource Accounting as the process of identifying and measuring data about human resources and communicating this information to interested parties. Knauf (1983:66) identifies Human Resource Accounting as the measurement and quantification of human organisational inputs such as recruiting, training, experience and commitment. One of the most succinct definitions of Human Resource Accounting is the one offered by the Danish Trade and Industry Development Council (1998:20) which referred to Human Resource Accounting as an attempt to report the financial consequences of human resource development, readjustment, reshuffling, acquisition and turnover. The underlying concepts in the above definitions include cost and valuation of human resources, records of the valuation in the books of account and disclosure of the information in the financial statements of the business for the consumption of interested parties. These elements are the essence

of Human Resource Accounting.

### Historical Development of Human Resource Accounting

Long before the academic development of Human Resource Accounting, early accounting theorists had shown interest and support for treating people as assets, and accounting for their value. Notable among these accounting theorists are Scott (1925) who observes that a trained force of technical operative is always a valuable asset, and Paton (1962) who compares personnel and stock of merchandise in an organisation. In Paton's view, a well organised and loyal personnel may be a much more important asset than a stock of merchandise in a business enterprise. On that ground the credibility of a balance sheet from which well organised and loyal personnel was absent was often questioned (Roslender, 2011:27).

Human Resource Accounting as a concept was first developed as a research effort at the University of Michigan by Rensis Likert, Brummet, William Pyle and Eric Flamholtz (Flamholtz, Bullen and Hua, 2002). Many individuals have since then put up arguments in support of the inclusion of human resources and other intangibles in corporate reports. Some of the Scholars, like Stewart (1997) advocates Intellectual Capital reporting while Edvinsson and Malona (1997) were given credit for Skandia Corporation External Reporting System.

The systematic and detailed academic activity of Human Resource Accounting began in the sixties with researches based on the human resource school of personnel management. This school of thought believes that people are valuable organisational resources and therefore ought to be managed as such. The developmental stages of Human Resource Accounting are divided into about five stages as highlighted by (Flamholtz, 1999).

The first wave of Human Resource Accounting was from 1960-1966. This period marked the beginning of academic interest in the field, with a focus on deriving Human Resource Accounting concepts from other field of study like Economic Theory of Human Capital, Psychological theories of leadership-effectiveness, and the concern for human assets as component of corporate goodwill. The Hermanson's Un-purchased Goodwill Model (1964) was one of the earliest studies carried out during the period.

The period from 1966-1971 marked the second stage of the wave of Human Resource Accounting and it reflected basic academic interests in the development and validation of different models for human resources cost and the monetary and non- monetary value of human resources. This stage is remarkable for research designed for the formulation of the present and potential uses of Human Resource Accounting as a tool for human resource professionals, line managers, and external users of corporate financial information and exploratory experimental applications in actual organisations. Brummet, Flamholtz and Pyle (1968) used the term Human Resource Accounting for the first time. It was also at this stage that research was conducted on the measurement of the historical cost of human resources at the R.G. Barry Corporation by the late Likert, Brummet Pyle and Flamholtz in 1967.

The third and fourth stages covered the period of (1971-76) and (1976-1980) respectively. The focus of the third stage was on the application of Human Resource Accounting while the fourth stage suffered a setback due to the reluctance of companies to commit huge sum into research and development in application of Human Resource Accounting. At the end of the 1970s and the beginning

of the 1980s, the interest in Human Resource Accounting declined within both academia and the corporate world.

The fifth stage of the development of Human Resource Accounting is from 1980 to 1990s. Significant renewal of interest in the theory and practice of Human Resource Accounting was recorded at this stage. At this stage a growing concern throughout the United States of America for increased productivity and the potential contribution of human resources accounting to such increased productivity was exhibited. The overwhelming concern was in the fact that the transformation was evident in the whole economy as well as in the organisations in which it is comprised. Another remarkable driving force was the concern that Japanese organisations had an edge over its United States (U.S) counterparts due to the management of their workforce especially by treating them as fixed assets rather than expenses. The above put together in their entirety, led to the acceleration of the adoption and practice of Human Resources Accounting in the fifth stage.

#### **Challenges of Human Resource Accounting Practices**

Turner (1996) lists the inability to establish a meaningful system of measurement and the fact that employees do not qualify as assets as the barriers that impede accounting for an enterprise's human resources from entering into mainstream accounting. Narayan (2010) highlights subjectivity associated with the factors to be included in the valuation of human resources as a major barrier. Hanson (1997) posits that human resources run in the risk of being undervalued internally by managers and externally by capital markets due to poor measurement and inadequate reporting. Other challenges include the inexistence of industry standard which means that every company has to evolve its own standard. No generally accepted model for valuation of human resources to be used worldwide. According to Gebauer (2003) there are no data available to compare the validity of the accounting methods and of all the methods available, none satisfies all organisational and professional interests. The ownership of human resources is practically impossible, therefore, it cannot be considered at par with other assets. It is not economical for small business units as it involves heavy costs if the firms desire to install the human resource accounting package in their organisation. Employees and unions may not like the idea, because Human Resource Accounting may lead to division among the ranks of employees. A group of employees may be valued lower than their real worth owing to reasons beyond the control of management. Moreover, the documentation of people as book assets may present employees as property of an organisation. The concept of human resource accounting is not recognised by tax authorities and therefore, it has only academic utility.

Assigning value to employees could become very low motivator for some employees that think highly of their jobs than the value assigned by management. Evaluation in Human Resource Accounting requires a lot of estimations of data which is susceptible to manipulation. Management could manipulate figures to suit its interest. Different countries have different requirements and that creates barrier for uniform method. All these challenges and criticisms hinder the progress of Human Resource Accounting (Okpala and Chidi, 2010:71).

#### **Human Resource Accounting**

Human Resource Accounting has a two-pronged conceptual basis-

the quantification and capitalisation of the cost of human resources and the valuation of human resources (Biswa, Cascio, and Boudreau, 2013). Quantification of the cost of human resources covers all the expenses an organisation incurs for acquiring, monitoring, retraining, maintaining, developing and redeveloping its human resources as assets. The valuing of human resources on the other hand is an analysis of the return on investment received from human resource investment. Investors require information on the human resources of an organisation to assist them in making investment decisions. Human Resource Accounting provides information about the cost of the investment in human resources and the value of human resources. The expenditure incurred for recruiting, staffing, training and developing the human resource quality is the investment in human resources while the fruits of such investments are increased productivity and profit to the organisation. The yield that the investment generates is considered as the basis for human resource value. The conventional accounting practice does not reflect the human resource of an organisation. The expense on the human resource is reflected as an expense in the year it is incurred though the benefit goes beyond one year. This is because the current generally accepted accounting principles considers all outlays on human related cost as expenses. Stovall (2001:14) confirmed this when he states that current accounting principles treat virtually all labour costs including wages, benefits, recruiting and training as expenses. Human Resource Accounting concepts are developed around the human resources that form the basis of Human Resource Accounting and the approach to Human Resource Accounting is broken down to Human Resource Costs Accounting (HRCA) and the Human Resource Value Accounting (HRVA).

#### **The Human Resources of an Organisation**

Tapomoy (2006) submits that human resources represent the total of the inherent abilities, acquired knowledge and skills as exemplified in the talent and aptitudes of the employee. They are the people and their characteristics at work organisation level and comprise the top management, the middle management, the supervisory management and the operatives. In terms of competitive strategy, an organisation can succeed if it has a sustainable competitive advantage (Noe and Hollenbeck, 2004:4). They further conclude that an organisation needs the kind of resources that will give them such an advantage and the resources according to them are the human resources. Part of their observations was that employees (human resources), in modern day organisations are neither interchangeable nor easily replaced in any system but are the source of the company's success or failure. These kinds of resources are often difficult to replicate (Mouritsen, Bukh and Marr, 2004:46) and thus may create extraordinary value. Organisations practicing Human Resource accounting are at liberty to choose a suitable method.

#### **Approaches to Human Resource Accounting Practice**

Two major issues in Human Resource Accounting are the recognition of the most appropriate approach and assigning monetary values to different dimension of human resources cost, investment and worth of the employees. Verma and Dewe (2006) are of the opinion that human resources need to be measured in terms of their strategic management potentials expressed through such concepts as human value management and human resource

expense models. Assigning monetary values to different dimension of human resources cost, investment and worth of the employees has posed big challenges to the field of accounting. There have been several attempts to meet these challenges by different scholars over the decades. These attempts culminated in two approaches broken down into methods. The approaches are the cost approach and the economic value approach.

### **The Cost Approach**

The cost-based approach to human resource accounting entails accounting for investments made by an organisation for the acquisition and development of human resource as well as the replacement cost of the people presently employed. Human resource cost like all other costs has two components — the expense component and the asset components. The expense portion of the cost is that which provides benefits during the current accounting period (usually the current financial year), whereas the asset portion of the cost is that which is expected to give rise to benefits in the future. Human resource cost based accounting concept fits into the conventional accounting practice and has remained dominant in practical accounting (Tyagi and Tyagi, 2003:441). The cost based method is adopted in practice by R.G. Barry Corporation of United States of America and Touché Ross and Company of Canada. The original cost, replacement cost, and opportunity cost are the three different concepts proposed for the measurement of human resource costs.

### **The Original Human Resource Costs (Historical Cost)**

The historical cost of human resources is the sacrifice that was made to acquire and develop the resource. It includes the costs of recruiting, selection, hiring, placement, orientation, and on the job training (Flamholtz, 1985:61). It is classified into acquisition costs and learning costs. Acquisition costs simply refer to the sacrifice that must be incurred to acquire a new position holder. They include all of the direct costs of recruitment, selection, hiring, and placement, as well as indirect costs of promotion or hiring from within the company. Learning cost represents the cost that must be incurred to train a person to the performance level expected for a given position. Formal training and orientation costs are usually cost that are associated with formal indoctrination and training.

### **The Replacement Cost and Opportunity Cost**

The replacement cost of human resources is the cost that would have to be incurred if present employees are to be replaced. It is used essentially to determine the replacement cost of individuals. For instance, if an employee were to leave today, several costs of recruiting, selection, hiring, placement, orientation, and on the job training would have to be incurred in order to replace him. The total costs for all the personnel signify the worth of the human resources. Opportunity cost is the maximum amount that human resources could earn in an alternative use. However its use is restricted to internal reporting due to the issue of objectivity.

### **The Economic Value Approach**

People are said to possess value because they are capable of rendering future services. The economic value of the firm can be determined by obtaining the present value of future earnings of individuals, groups and the total human organisation (Flamholtz,

1974:114). An object's value is considered to be the present worth of the services it is expected to render in future (Fisher, 1927:189). The concept of value can be viewed from two perspectives. It can be looked at as utility representing value in use or as purchasing power which represent the value in exchange. In principle, the value of people to an organisation is the present worth of the future services they are expected to render. To measure a resource's value, it is necessary to forecast its expected service life (the valuation period) and estimate its expected future services. For a monetary valuation, expected future services must be translated into monetary terms, and discounted to their present value (or value today). A number of measurement models have been developed for determining the present value of future earnings. However, the application of these measurement models in practice has been an issue of controversy.

### **Motivation for the Practice of Human Resource Accounting**

The motivation for the practice of Human Resource Accounting is attributable to some interrelated factors such as the nature of the firm or economics of the business, the managerial philosophy or social order and the information system.

The nature of a business is a major motivating factor for the practice of human resource accounting in an organisation. Some firms may be people intensive while others may be equipment intensive. In some cases though the firm may be more intensive in physical resource, human capability in terms of skills may be highly required especially where the product of the firm are of human rather than physical or financial capability. In other words, the firm needs to take advantage of the human resource as a competitive advantage.

The managerial philosophy of a business is an essential motivational factor to the practice of Human Resource Accounting. The practice is very easy in a firm where its social order is on the premise of self-actualisation. The firm therefore tries to create an environment in which people would achieve self-actualisation through their work. Maslow (1965) believes that the work lives of people are the central ingredient in achieving self actualisation and the greater the degree of a person's self actualisation, the greater the person's economic value to the organisation. Human Resource Accounting is necessary where management requires sufficient information to facilitate decisions on human resource planning and utilisation, to provide feedback information on the performance in managing the organisational assets and when the management needs a more accurate accounting of its returns on total assets employed and analyse how changes in the status of the assets employed affect the corporate objectives.

### **Human Resource Accounting Practices in Organisations**

Human resource accounting can be practiced in organisations in two ways. One way is through the development of systems of accounting for human resource costs or value and the other is on a problem oriented basis. Some organisations apply human resource accounting techniques to a specific problem but do not develop a system of human resource accounting *per se*. Others developed a system of human resource accountability that is intended to increase managerial effectiveness in developing and retaining employees by treating employee-replacement costs (hiring, training, benefits) as if they were capital investment rather than operating expense, and



holding managers directly accountable for those segments of the investment that fall within their area of responsibility.

The practice of Human Resource Accounting by businesses is still voluntary. Moreover opinions differ widely whether Human Resource Accounting is actually used by practitioners today. Available literature reveals that Human resource costing/ income evaluations appear to be widely practised, whereas human resource balance sheets are hardly used with the exception of the football industry, which is probably because of difficulties to accomplish all accounting criteria regarding assets (Johansson, *et al*, 1998). Insight to the practice of Human Resource Accounting by some enterprises is examined below.

#### Human Resource Accounting in INFOSYS TECHNOLOGIES LTD.

The INFOSYS TECHNOLOGIES LIMITED (Infosys) is an Indian establishment popularly recognised for the practice of Human Resource Accounting (Singh and Singh, 2009). In the financial year 1995-96, Infosys became the first software company to value human resources in India. The company used the Lev and Schwartz model and valued its human resource assets at Rs 1.86 billion. Infosys had always given utmost importance to the role of employees in contributing to the company's success. The Management of Infosys Technologies Ltd. believes that by comparing human resource figures over the years changes in human resource values can be accounted for and also predicted. Infosys uses Lev and Schwartz method. According to this method the present value of future earning capacity of an employee, from the date of joining till retirement is estimated. The Lev and Schwartz model was the most popular and it is used with a little modification by some Indian companies. However, companies like Steel Authority of India Limited (SAIL) adopted Flamholtz's replacement cost model.

#### Human Resource Accounting in Football Industry

The practice of Human Resource Accounting is common within the football industry. In the United Kingdom and the United States, professional sports teams' financial accounts often incorporate Human Resource Accounting, in which a value for the employees is placed on the balance sheet and is amortised over a period of time, instead of expensing costs (Brummans and Langendijk, 1995; Morrow, 1996). Morrow (1996) gave an account of eighteen British football clubs that included players in the balance sheet before the Bosman case. The most common valuation method was the use of acquisition cost for players acquired on the transfer market. Other clubs incorporated a value for the entire squad, whether purchased or home grown, and based the value on different kinds of future value. However, after the Bosman case, a more prudent policy of capitalisation and amortisation of a player's cost of registration over his/ her contract life was adopted as the most

appropriate accounting policy (Morrow, 1997). Football clubs adopting Human Resource Accounting normally produce twin balance sheets. Mortensen, Eustace and Lannoo (1997) find this idea useful for firms in common. The authors proposed one transaction driven balance sheet made up in accordance with general bookkeeping principles and another based on exploiting future cash flows.

#### Empirical Review

Available studies from the survey of related literature reveal that the current trend in literature tends towards the study of Human Resource Accounting practices/disclosures and its relevance on the financial health of companies. However empirical research on human resource accounting practice in Nigeria is not publicly available.

In a recent study Andrade and Sotomayoy (2013) presented an experimental case study of the application of the original model of Lev and Schwartz in Grupitel Inc., a service company. The objective of the study is to provide a frame work and guide to future researchers on Human Resource Accounting. Khodabakhshi and Sumangala (2013) provided evidence on the usefulness and importance of Human Resource Accounting Information via a study on the development of Human Resource Accounting research in the capital market. Sharma and Shukra (2013) using some public sector companies in India, studied company financial performance and Human Resource Accounting Disclosures. The study concluded that there is an inverse relationship between the performance metric Return on Assets (ROA) of a firm and its level of Human Resource disclosures. Ratti (2012) reveals Human Resource Accounting practices in India by employing the Lev and Schwartz model. Fifteen companies in India were examined and the study concludes that incorporating human resource value in financial statement is very expensive and the computation is not very easy. It also observed that Human Resource Accounting has a promise though it has not yet met the test of usage and calls for further research.

Al-Beshtawi (2012) identified current practices of Jordanian banks concerning accounting for human resources and the extent of it use for internal and external data accounting information. Taymoorluie, *et al*, (2011) in their study on Human Resource Accounting and international developments showed that interest and contributions

Table 1:

### Reliability Tests for the Survey Scale

Number	Type of Reliability Test	Value	Remarks
1.	Cronbach's Alpha	0.972	Very Reliable
2.	Split-half	Part 1 = 0.939	Very Reliable
		Part 2 = 0.951	Very Reliable
3.	Guttman	Lambda 1 = 0.908	Very Reliable
		Lambda 2 = 0.976	Very Reliable
		Lambda 3 = 0.968	Very Reliable
		Lambda 4 = 0.920	Very Reliable
		Lambda 5 = 0.965	Very Reliable
4.	Parallel	0.968	Very Reliable
		0.969 (unbiased)	Very Reliable
5.	Strict Parallel	0.703	Very Reliable
		0.721 (unbiased)	Very Reliable

Source: 2013 Pilot study field work

**Table 2:**  
**KMO and Bartlett's Test**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		.901
Bartlett's Test of Sphericity	Approx. Chi-Square	1.206E3
	df	120
	Sig.	.000

*Source: 2013 Pilot study field work*

to growth in Human Resource Accounting have been evident in a number of countries. Goel and Banerjee (2010) did an analysis of Human Resource Accounting in some Information Technology (IT) Companies. They concluded that a knowledge-intensive company leverages know-how, innovation and reputation to achieve success in the marketplace. Hence, these attributes should be measured and improved upon year after year to ensure continual success. Other studies that examined Human Resource Accounting practices in selected companies include Lee (2010) in Malaysia and in India, Dalvandi (2010) and Patra, Khatik and Kolhe (2003).

In Nigeria, related studies by Kumshe (2012) examined the practicability of Human Resource Accounting in Nigeria while Kirfi and Abdullahi (2012) and Abubarkar (2006) looked into the possibilities for domestication of Human Capital Accounting practice in Nigeria. The studies found that, the existing accounting practice does not recognise human resource as an asset. This has significantly discouraged the practice of Human Resource Accounting in Nigeria. The study however, established that Human Resource Accounting practice will enhance the completeness and quality of financial reporting in Nigeria and concludes that, it is possible to domesticate Human Resource Accounting practice in Nigeria. Abubarkar (2011) studied Human Resource Accounting and the quality of financial reporting of quoted service companies in Nigeria. The study recommends that quoted service companies in Nigeria should imbibe the culture of capitalising and reporting all expenditures/investments on human resource that can improve their quality and productivity.

#### Gaps in Literature

Very few empirical studies have documented the practicability of Human Resource Accounting in Nigeria. Nevertheless, there are a couple of recent studies on the extent to which companies disclose information on human resources and the practice of human resource accounting in many countries except Nigeria.

#### Pilot Study

The pilot study is designed specifically to test the feasibility of the research and try out the questionnaires that were developed. The objective is to see how well the instruments are applicable in practice. A minimum of 20% of the sample size was used guided by Baker (1994) recommendation that a sample size of ten to twenty percent (10–20 %) of the sample size for the actual study is a reasonable number of participants to consider enrolling in pilot study. The research was undertaken in the span of six months from

June 2013 to November 2013 in order to test run the questionnaires and research procedures. A sample of eighty professional accountants drawn from both ANAN and ICAN backgrounds and eighteen companies from the manufacturing companies in the sample frame were included in the study. The questionnaires administered included a cover letter that explained the objective of the study and sought the participation of the respondents in the survey. The respondents were informed that the study was a pilot study and were encouraged to make observations and provide feedback on challenges experienced while completing the questionnaire. The

questions requiring the views of professional Accountants centred on four major subject matters namely, accounting for investment in human resources as assets, Human Resource Accounting practice in Nigeria, the effect of capitalising and amortising human resource costs and the challenges facing the practice of human resource accounting in Nigeria. Also included in the company survey were questions designed to gather information about human resource accounting practice in the selected companies.

#### Methodology

This study employed the quantitative approach using both inferential and descriptive statistics. Statistical tools were used to analyse the objectives, answer the research question and test the stated research hypothesis. The primary data collected via two distinct sets of questionnaires were presented using frequency tables and analysed via descriptive statistics. For clarity and easy interpretation, tabular analysis was utilised in ordering the data. Percentages were computed where necessary and appropriate. In order to enhance the accuracy of assessment and valuation, the Cronbach's Alpha was employed to establish the validity and reliability of the instruments employed bearing in mind that an instrument cannot be valid unless it is reliable. The formulated hypothesis was tested at a 5% level of significance using the multivariate analysis of variance (MANOVA).

#### Research Variables

Human Resource Accounting Practice (dependent variable) is evidenced by four constructs (independent variables). The constructs are Amortisation of human resource related costs for the current accounting year; Capitalisation of investments on human resources; the application of any human resource accounting cost models for internal report(s); and the application of any human resource accounting valuation models for external reports.

#### Pilot Study Data Presentation and Analysis

The response rate for professional respondents was eighty one (81%). Sixty five (81%) answered questionnaires were returned out of the eighty sent out. Five (6%) were invalid and the remaining sixty (75%) valid instruments were used for the data presentation and analysis. The company survey response rate was ninety percent (90%) but three returned questionnaires which amounted to about seventeen percent (17%) were invalid.

The professional respondent survey questionnaire was tested in order to determine if the scale consistently reflects the construct it

is measuring. This was achieved using Cronbach’s coefficient alpha which is the most common measure of scale’s internal consistency. It proceeds by associating each measurement item against each other and obtaining for all paired association the mean inter correlation (Asika, 2004:74). Other reliability tests conducted were Split-half, Guttman, Parallel and Strict parallel. With the results in the **Table 1** above, it can be concluded that the instruments were very reliable using the recommended Cronbach’s coefficient alpha benchmark of 0.7.

Using the KMO test the adequacy of the samples was tested. The rule of the thumb is that the KMO must be greater than 0.5 to be adequate. From **Table 2**, it can be seen that the KMO is 0.901 which shows that the sample is adequate and factor analysis is appropriate for the data.

**Table 3** shows the multivariate tests which was conducted for the test of hypothesis. The p-value of Wilks’ Lambda in the variable column is 0.091 and is higher than the level of significance of 0.05. Therefore, we uphold the null hypothesis and reject the alternate and conclude that there is no significant evidence of Human Resource Accounting Practice (HRAP)

**Table 4** presents the descriptive statistics of the predictor variables and the outcome of the test on Human Resource Accounting practice in fifteen companies.

Applying Wilks’ lambda test on the data compiled from the results of the pilot study of fifteen companies the hypothesis is tested as shown below:

**H<sub>0</sub>:** There is no significant evidence of Human Resource Accounting Practice (HRAP) by companies in Nigeria.

**H<sub>A</sub>:** There is significant evidence of Human Resource Accounting Practice (HRAP) by companies in Nigeria.

1. **H<sub>0</sub>:**  $\mu = 0$
2. **H<sub>A</sub>:**  $\mu \neq 0$
3.  $\alpha = 0.05$
4. Critical region: For a given alpha level, if P-value is less

than alpha, the null hypothesis is rejected.

5. Computations: Wilks’ Lambda = 0.568; P-value = 0.091

6. Decision: Since P-value is greater than alpha level (**0.091>0.05**) Accept H<sub>0</sub> and conclude that there is no significant evidence of Human Resource Accounting Practice (HRAP) among companies in Nigeria.

**Discussion of Results**

The instruments were pilot tested and found to be reliable with a Cronbach’s Alpha score of 0.972. Details are given below:

**Cronbach’s Alpha**

The scale’s internal consistency was measured to determine if it consistently reflected the construct it is measuring. Cronbach’s alpha coefficient of 0.972 shown on **Table 1** indicates that they are very reliable given that the recommended benchmark is 0.7.

**Split-half, Guttman, Parallel and Strict Parallel Tests**

The results of the Split-half, Guttman, Parallel and Strict parallel tests in table 1 displayed the individual reliability of the Likert scale questions for the survey. The reliability of each question was tested using the P-value of the Chi-square to establish the significance of the questions. The result revealed that all the questions were reliable.

**Barlett’s Test of Sphericity**

Barlett’s test of sphericity is highly significant at (.000) with  $p < .001$ . This means that the R-Matrix is not an identity matrix and factor analysis is appropriate.

**KMO and Bartlett’s Test**

**Table 2** indicated a KMO of 0.901. This means that the sample is adequate and factor analysis is appropriate for the data because the rule of the thumb is that the KMO must be greater than 0.5 to be adequate.

**The Results of the Test of Hypothesis**

With the aid of the multivariate analysis of variance (MANOVA)

**Table 3:**  
**Multivariate Tests<sup>b</sup>**

Effect		Value	F	Hypothesis df	Error df	Sig.
Intercept	Pillai’s Trace	.432	2.787 <sup>a</sup>	3.000	11.000	.091
	Wilks’ Lambda	.568	2.787 <sup>a</sup>	3.000	11.000	.091
	Hotelling’s Trace	.760	2.787 <sup>a</sup>	3.000	11.000	.091
	Roy’s Largest Root	.760	2.787 <sup>a</sup>	3.000	11.000	.091
Variables	Pillai’s Trace	.432	2.787 <sup>a</sup>	3.000	11.000	.091
	Wilks’ Lambda	.568	2.787 <sup>a</sup>	3.000	11.000	.091
	Hotelling’s Trace	.760	2.787 <sup>a</sup>	3.000	11.000	.091
	Roy’s Largest Root	.760	2.787 <sup>a</sup>	3.000	11.000	.091



Table 4:  
Descriptive Statistics

Predictor Variables		Mean	Std. Deviation	N
Does your company amortise human resource related costs for the current accounting year?	No	.00	.000	11
	Yes	.50	.577	4
	Total	.13	.352	15
Does your company capitalise investments on human resources	No	.00	.000	11
	Yes	.25	.500	4
	Total	.07	.258	15
Does your company use any type of Human Resource Valuation Accounting for internal report?	No	.09	.302	11
	Yes	.50	.577	4
	Total	.20	.414	15
Does your company use any type of Human Resource Accounting for external reports	No	.00	.000	11
	Yes	.50	.577	4
	Total	.13	.352	15

Source: 2013 Pilot study field work

tool, the formulated hypothesis was tested. The result showed f-value to be 0.568 and P-value, 0.091. F-value of 0.568 is significant. Since P-value is greater than the given alpha level (**0.091>0.05**) the null hypothesis is accepted. This indicates no significant evidence of Human Resource Accounting Practice (HRAP) in Nigeria.

Conclusion

The outcome of the pilot study revealed that the procedures followed are appropriate for the stated objectives. The instruments are reliable and effective given the result of the tests. The test of hypothesis also showed that there is no significant evidence of Human Resource Accounting Practice by companies in Nigeria. This pilot study has so far contributed to the limited empirical research on Human Resource Accounting literature in Nigeria.

Recommendation

Human Resource Accounting is considered very important therefore, it needs to be closely examined in accounting research if for no other reason but for the challenge the accounting profession is currently facing in the area of accounting for the human resources — the most valued asset.

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# Enabling Structures Should Precede Policy — *Ajaegbu*

**T**he 50<sup>th</sup> and Golden Jubilee President of the Institute, **Mr. Chidi Onyeukwu Ajaegbu, ACS, MBF, Dip.** In Polygraph (USA), FCA is a golden fish that has no hiding place as far as accounting profession is concerned. Prior to his election into the exalted position of ICAN President, the Founder/Chief Executive Officer of Mutual Alliance (member of the Nigerian Stock Exchange, and Heritage Capital Markets Ltd. has really paid his dues. As a Fellow of the Institute, Mr. Ajaegbu has contributed his quota to the growth and development of ICAN either as Chairman, Deputy Chairman, and member of the various committees of the Institute.

In this interview with **The Nigerian Accountant** team led by **Claudia Binitie** (Editor), **Muyiwa Dare** and **Ruth Idumuekwu**, this great philanthropist, who currently runs the Chidi Ajaegbu Educational Foundation which awards scholarship every year to over 100 students of tertiary institutions in Abia and Lagos States respectively, bared his mind on many issues.

He spoke on how to move the nation's economy forward, how to develop accounting profession, the Central Bank policies, ICAN activities and contribution to national development, amongst others. Excerpts:





***Congratulations on your election as the 50<sup>th</sup> and Golden Jubilee President of ICAN. Since you assumed office, have your expectations of being ICAN President been met or is your experience so far different from what you expected?***

Honestly, it is slightly different. There are challenges in everything we do in life and our Institute is not different, more so, when you look at it from the perceptive that it is a collection of people with different backgrounds and aspirations in life. Part of my mandate is to harness the strengths in this diversity in the interest of the Institute and strive towards goal congruence. We have set some goals within the rolling plan of the institute for ourselves in the next twelve months and expectedly, we will require the cooperation of all stakeholders to succeed, especially the support of the Secretariat. And for us to deliver on these objectives, we need the appropriate skill set in our staff members. And to achieve that, we need to motivate, train and retrain our people. If we get it right, I am pretty certain that our expectations will be exceeded.

***In the past, even up till your inauguration, you have always been talking about professionalism and your theme for this Presidential year is "Promoting Public Interest: Enhancing Professionalism". How do you intend to achieve this?***

In fact, that is the thrust of my Presidency. If you also check my acceptance speech, you will notice the emphasis. In my opinion, the profession as represented by our great Institute must be relevant to the day to day governance of this nation. Our mandate is to protect the public interest. I think we need to advice government on policy issues. We also must strive within the ambit of the law and decorum to get our position on issues across to the people in power. During this presidential year, the Institute will be more visible and will be part of conversations on good governance and public good, whilst we also ensure that the quality of our certification processes and professional practices are improved in our attempt to raise the bar, benchmarking global standards. We shall fund studies on matters relating to issues of public good and of course technical matters and if we consider it necessary we will go the extra mile by publicising our findings in the



***“ We must strive within the ambit of the law and decorum to get our position on issues across to the people in power. During this presidential year, the Institute will be more visible and will be part of conversations on good governance and public good, whilst we also ensure that the quality of our certification processes and professional practices are improved in our attempt to raise the bar, benchmarking global standards ”***

media. We must seize every opportunity to reinforce our brand. In terms of professionalism, we are also expected to provide the resource materials through our MCPs, symposia, libraries and the enabling environment for members to continue with their lifelong learning habits which our training have thought us. More importantly, as our profession evolves for example, transitions to IFRS, IPSAS AND THE NOT TOO FUTURISTIC INTERGRATED REPORTING, we must continue to study in order to retain the confidence of the public that rely on our competences.

Our subscription recovery strategies must be reviewed and made more effective. We will give more support to tuition houses in order to produce qualitative students that will sit for the Institute's examinations and pass. We will contribute to the growth and development of accounting study in Polytechnics and Universities. We are aware that we have relationship with the Institute of Chartered Accountants of England and Wales (ICAEW) and we intend to strengthen this.

***It appears some members of the Institute don't feel committed towards paying their subscriptions which has accrued to several millions of naira. One of the reasons they give is that they don't get anything back from the Institute.***

Before we even get into that, I want to further address your last question. The Practice Monitoring Group of our Institute, like I said would actually be re-invented and distinguished practitioners who have retired will be called upon to assist us in monitoring the way our people do their work. We will invest money in that. We are also going to set up additional investigating panels that will expeditiously deal with complaints from members of the public against our members. They will be sitting twice in a quarter instead of the quarterly sitting and eventually start sitting every month or twice in a month if possible. Apart from that, we will encourage combination of practices by merger and I'm going to leverage on my relationship at the stock exchange to see how we can begin to discuss the possibility of joint audit of quoted and some public interest companies. That way, we will be able to get a lot of small and medium practitioners to have access to the audit of quoted companies on the stock exchange and access the

experience and technical exposure of multinational firms in our jurisdiction. There are several things we have lined up for our members and we are going to make sure that we enhance the respectability of the accountancy profession – reclaiming our old glory.

For me as an individual, I am defined by the Accountancy profession, and the joy and love I have for the profession is predicated on the fact that I have consistently relied on my training as a chartered accountant in my everyday life, that in itself, is enough for me to want to give back to the profession that has done it for me.

I believe most members feel the same way and should therefore be happy to pay their dues. Of course I do recognise the fact that there could be some factors that may militate against some members, thereby compounding the payment of their dues.

Our strategy, in dealing with this, includes the following:

- Quickly re-invent our employment bureau for more effectiveness and result.
- Increase the sum assured of our group life policy by 25%.
- Expand our strategic partnership initiatives for high discounts, especially with office equipment manufacturers.
- Encourage joint audits and special relationships between the big firms and SMPs.
- We will conclude the provision of audit program (P-cat) segment of our twining agreement with ICAEW.
- Increase access to our benevolent fund.
- Undertake a more brand enhancing actions.

We have acquired a parcel of land in Abuja towards the construction of a Convention Centre. And we believe ultimately that when the construction is completed, not only will it be revenue generating, but will have a profound effect on the image of our Institute. Therefore, I want to passionately appeal to our members to pay up their subscriptions. I also know of some large companies that do not pay subscriptions for members and do not encourage members to attend MCPE because they think our members are too busy and cannot be allowed to go for MCPE, we will engage such companies and have a conversation with them on the need to have a professional and current work force.

We will pay courtesy calls on such organisations in order to sensitise them on the benefits of MCPE so that they can allow our members to attend. I am confident that if we are passionate about this drive, our finances will be better off in the next twelve months. As a matter of priority, we intend to leave the Institute financially better than we met it.

***Let's talk about the newly adopted IFRS and IPSAS by the government in Nigeria. How would you say that the transition has fared so far?***

I first muted the idea of transiting to IFRS in the Institute, four years ago when I was the treasurer because I believed that as a regulator we should lead the way, Thankfully our Institute has

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transited. Currently in Nigeria, there is no auditor or accountant worth his salt that does not have a firm grip of what it takes to effectively convert to IFRS. That makes me happy and I'm also excited about the abundant intellectual resources even from our members in Diaspora that are coming in to help with the adoption of the International Financial Reporting Standards. I am unable to evaluate how far we have gone with the adoption of IPSAS in the public sector accounting since the deployment is barely six months old.

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significant milestone and when you add multinationals and other public interest companies, one can safely conclude that we have made appreciable progress in this area.

***What about the roles ICAN has played in sensitising and teaching members about IFRS?***

There is no doubt that ICAN played a significant role in sensitising and teaching its members about IFRS through its certification programmes and publicity.

***Nigeria has a new Central Bank Governor now and he made a policy statement that he would mainly focus on achieving***







**macroeconomic stability by holding exchange rate strong, using various monetary policy tools as well as keep interest rate low and affordable for businesses that require finance, and also aggressively shore up foreign exchange reserves. What impact do you think this will have on the nation's economy?**

The problem with Nigeria is not about setting policies but rather, implementation. I would rather emphasise the need for continuity of policies that appear to exist between the current and previous regimes, e.g. a strong and stable naira. There is an apparent contradiction between maintaining a stable & strong naira and shoring up your foreign reserve in a consumer, monolithic import driven economy, especially with the volatility in crude oil pricing. He also talked about full employment. Full employment has to do with an inclusive growth and the drivers of inclusive growth are absent in our environment especially skilled man-power arising out of our weakened educational system.

We should have a very exhaustive analysis and study on how to achieve an inclusive growth and our Institute should be part of it, to explain why we've had a consistent growth of between 5 and 7 percent in the last five, six years and yet we have unemployment growing at a high rate. So what that means therefore is that even with a sustained growth there is a decline in the standard of living. In my view, there's need for attitudinal change.

**“The problem with Nigeria is not about setting policies but rather, implementation. I would rather emphasise the need for continuity of policies that appear to exist between the current and previous regimes, e.g. a strong and stable naira”**

**“In my view, there's need for attitudinal change. There's an urgent need for a change of our mindset. We need to start doing things differently. The earlier we start imbibing the words of Kennedy talking about what we can do for our country, and not what the country can do for us, the better for us all”**

There's an urgent need for a change of our mindset. We need to start doing things differently. The earlier we start imbibing the words of Kennedy talking about what we can do for our country, and not what the country can do for us, the better for us all.

**Different methods were used in the past to shore up the foreign reserves and also to have stable exchange rate, but whether they were successful is another question. However, in addition to that, the new CBN governor also talked about supporting the Small and Medium Enterprises by reducing emphasis on collateral. Considering the way things are in Nigeria where we don't have good records, how do you think this can be achieved?**

First and foremost, banks do not take risks, they manage risks. I buy money at two naira, I sell it at three naira. Are we talking about setting up another bank that will give this money below market price or how is that going to work? Of course, you will agree with me, that banks are in business to make money. Therefore, the issue we are confronted with is not about the banks giving money, but about the SMEs keeping bankable records, capacities and integrity. They want to make profit for the bank.

Finally, due to environmental factors, it will be difficult to do away with the need for collateral in lending.

**The security of the country in the recent time calls for sober reflection, especially with the issue of Boko Haram, kidnappings, ritual killings, etc. How has this impacted on the Accountancy profession?**

Certainly, the state of insecurity has affected the economy of the nation. There has been a decline in economic activities within the country since the problems of Boko Haram, kidnapping and all sort of security problems started, even some multinationals are pulling out. I am sure the impact of the security problem and insurgency, has affected our members. I also think that a good example of the likely outcome of this crisis can be drawn from the militancy of the now defunct Irish Republican Army (IRA). Even the coordinating Minister for the Economy alluded to this in a recent TV interview, as



an optimist, I can't but agree with her. Let us recall that for the fifteen or more years that the war raged, the British economy did NOT collapse. However, I am of the opinion that the FGN should evolve a better strategy for containing the insurgency and the earlier the better. The problem has really affected the accountancy profession because Borno state, a state that has a dearth of chartered accountants is one of the places we want to build ICAN Study Centre to help train more accountants. Additionally, the downward trend of the economy of the state will inevitably affect our members there.

***The experiment of cashless policy of the Central Bank started with Lagos and Abuja about two years ago. Recently, other states of the federation have joined and by July 1, 2014 the remaining states will join. How do you think the policy change with regards to cash deposits will impact the success of the policy?***

If we must grow, we must stop this attachment to cash. I remember that one of the things I did when I was the honorary treasurer of the Institute was to develop and deploy e-settlement system. That was long before the CBN cashlite policy. I'm happy that those who saw it as impracticable at that point have now embraced it, having seen the advantages and are happy for it. A cashless policy is something that every society should leverage on. It gives you a 24-hour economy and this is a prime agent for economic growth. There are several opportunities in it. The multiplier effect on the economy is unquantifiable, therefore, it is a good thing and we must embrace it. But in addition to the cashless society, there is also the need to create confidence in the system. People still have a lot of money outside the system because a lot of people don't have confidence in the fact that the system can protect their assets in the bank. I think we need to strengthen the rule of law which means changing the mindset of a policeman on the street, making sure that people who defraud are caught and sanctioned. If all of these are not on ground, we cannot actually harvest the full potential of the policy. It is key that we work on our rule of law and build confidence.

***Isn't the removal of penalties on deposits one of the ways of changing people's mindset and encouraging them?***

Yes, that is what I am saying. I am aligning myself with that policy reversal. I believe since he is coming from the private sector background, he understands the implication of penalising people who deposit money in banks, especially when a very significant percentage of our narrow money (M1) is held outside the regulated system.

***Okay. Let's now talk about the "Catch Them Young" programme of ICAN where secondary school students are targeted.***

***They are being enlightened on what the Institute is all about and help them in making decisions on courses to study in Universities and Polytechnics eventually. What has been the impact of the scheme so far vis-a-vis its objective?***

First and foremost, we must give credit to the incumbent Registrar/Chief Executive because that scheme is his brain child. So far, I don't think we have harnessed all the potentials of that scheme. It is a long term project, with a view to cultivating a relationship at the lowest level with the students to encourage

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them to embrace accountancy as a profession. In order to optimise its potential, we need to reappraise the key success factors of the scheme by doing the following:

- Sensitise the youths and refocus the scheme.
- Gather data and build a database to enable us communicate with the students..



- Appoint coordinators to visit the students periodically to assess and report on their progress. The coordination should be done according to the geo-political zones leveraging on district societies for effectiveness.

- Proactively creating a loop with our communication.

- The scheme should be made to cut across all levels (primary, secondary and tertiary) of our educational system.

- Keeping a record of matriculation and convocation dates of all ICAN accredited institutions along with a list and contact details of all accountancy students.

***What of the District Societies?***

We have to make our district societies more vibrant, more result oriented and more alive

to their responsibilities by empowering them and encouraging them to build resilient structures.

***The Institute recently launched its new syllabus which will become operative in November 2014, what mechanism has been put in place to sensitise the students before the November date?***

When we launched the syllabus, the tuition houses were invited. It is also on the ICAN website and we take advantage of presidential tours to inform our members. However, we realise that there is more work to be done to increase awareness.

***In your acceptance speech, you said the Institute will provide support for the small and medium practitioners by way of encouraging joint audits, alliance, mergers and acquisitions. How will this work going by the penchant for the Nigerian business-person to do it alone?***

Mergers and consolidation are the global trend for firms within the industry. Some firms such as SIAO have done so in Nigeria and are reaping the benefits of synergy. We need to encourage more of these. As the adage goes, ten percent of an elephant is bigger than one hundred percent of a squirrel. But our idea is to assist them in accessing modern office equipment, professional software and encourage them to merge in order to position them to effectively compete in the marketplace and for continuity of the business. It is important we remember that the big firms of today started as sole practitioners some decades ago.

***Let's talk about the staff matters now.***

***The gratuity scheme for staff of the Secretariat was recently terminated after a tripartite agreement was signed between Council, Management and the Staff Union. Are there other plans to improve the welfare of staff in place of the gratuity scheme?***

Let me approach the question holistically by explaining why we stopped the gratuity scheme. This was done to protect our workforce from a financial meltdown in the institute. This is because the gratuity was growing exponentially and therefore became unsustainable. We are working on a set of welfare packages for staff. These include mortgage loan and increase in car loans. The day we roll out the first set of beneficiaries would be one of my happiest days as ICAN President. I will ensure I attend the opening ceremony of one of the bungalows. I'm looking forward to it. In addition, we have the traditional salary review in the Institute every three years. Of course, I will be part of that. I will drive the



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process and like I said, we will do everything to make our staff happy and we will continue with the ongoing capacity building across all cadres. All staff members will be encouraged to go on relevant structured training that will improve their competences and increase their productivity. Though twelve months is too short but we will do our best within the twelve months. Whatever we cannot complete shall be continued by the next President. ICAN has a rolling plan and the incoming President will buy into the existing projects and drive them to completion. I am excited that good things are going to happen this year in the Institute and the staff will feel it. They may not agree with all my decisions but like I always say, I will be transparent so they will always know where I stand on all issues.

***Becoming the President of ICAN is a great achievement for any Chartered Accountant. How has the journey to this exalted position been?***

I think everything that happens in a man's life is divinely ordained. ICAN no doubt is my life. I strongly believe that you can dream and if you don't doubt, that dream will come to fruition. I am grateful to God, I am a contented man. I don't want to own the whole world and I don't want to rule the whole world. I thank God for honouring me by putting me here. I want to use the opportunity to give back

and show God that I am grateful. I assure you that we will leave the Institute better than we met it.

***You are known as a workaholic who always wants immediate results. What do you do to relax?***

Yes, I do. I am an Arsenal fan for life. You know what that means. I watch war movies, especially the Second World War.

***What is your last word for your members out there?***

They need to know that ICAN is their foundation. Even if you are a Managing Director today and the fact that you are certified as a Chartered Accountant is the pedestal on which you stand. I want to appeal to them to go back down memory lane to the day they qualified as Chartered Accountants. That joy alone is enough for them to give back. ●



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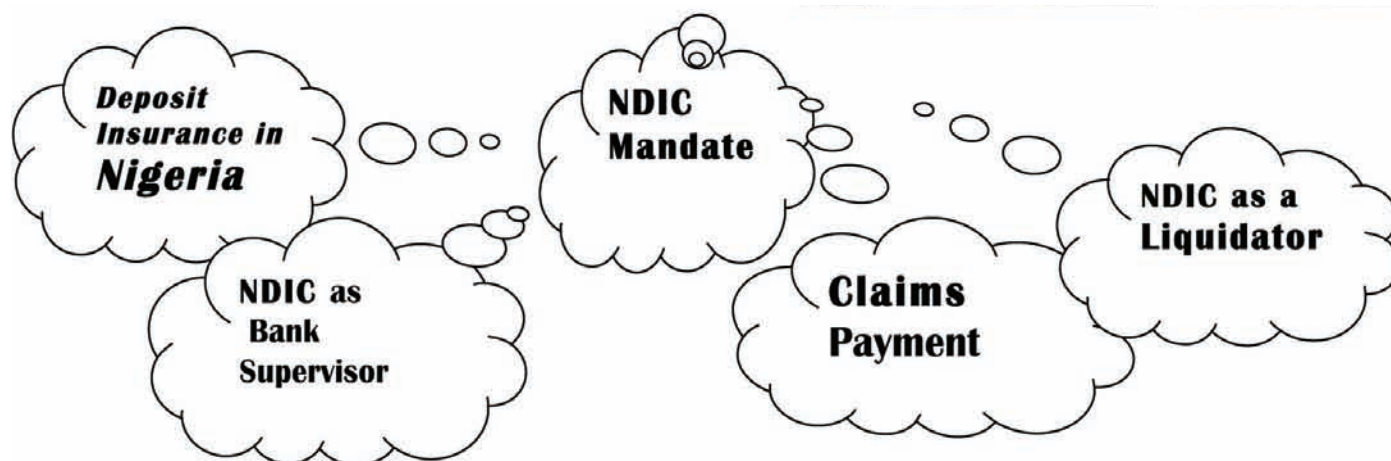
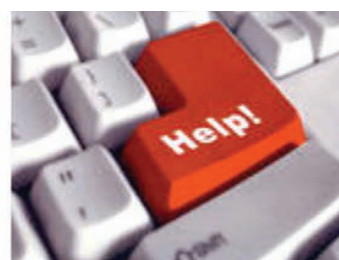




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