

ICAN



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Business Process Improvement and Accounting



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

MESSAGE FROM THE PRESIDENT

My Dear Distinguished Colleagues - FCAs, ACAs, RAs and AATs.

As the year 2017 has come to a gracious end, I sincerely thank you individually and collectively on behalf of the Governing Council of ICAN for your continuing membership of our noble Institute and for your impactful contributions to the growth of the Nigerian and global economies through the provision of high quality professional accounting, financial advisory, taxation and business advisory services, combining our unrivalled technical knowledge, competence, experience and ethical values to support organisations' to achieve their strategic and business goals.

Council greatly cherishes your enduring support through your annual membership subscriptions, continuing professional development, uncommon dedication and value-laden volunteer services to the Institute.

Our desire in Council is to make the new year 2018 and beyond the best time ever to be an ICAN member by striving to ensure that our FCA, ACA, RA and AAT designations remain relevant, globally respected and in high demand with employers, clients and stakeholders.

Accordingly, your Council is working assiduously towards making remarkable quality improvements in members' and students' professional development and support services across all areas of the Institute's operations.

Council pledges to continue to respect the lawful views of members, to listen objectively with an open mind to your diverse opinions and candid views and to act at all times in accordance with the ICAN Act and always in the overall best interest of the Institute.

Council pays glowing tribute and highest respects to our Revered Past Presidents and founding fathers for building a solid unshakeable foundation for our Institute and for their exemplary leadership, selfless services and lifetime support.

Council salutes and commend the Registrar/Chief Executive, Management and entire staff team for their dedicated services to the Institute in 2017. In the new year, Council is committed to creating an improved environment that values and supports employees to excel and promotes their healthy growth and development.

Furthermore, Council wishes to use this opportunity to acknowledge the excellent work of our Chairmen and Executives Committees of all ICAN District Societies within and outside the country for their contributions towards spreading the Institute's core values in their locations and keeping the ICAN flag flying

As we celebrate the new year today, let us all remember our professional colleagues who have passed on to eternity as well as those who are ill and ask that we kindly put them in our thoughts and prayers.

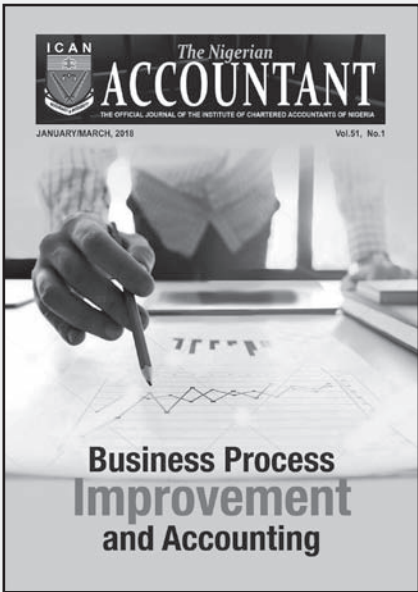
Council acknowledges the efforts of our valued professional and ATS students working assiduously towards qualifying as Chartered Accountants. We urge all students to continue to work hard and not to relent until they achieve the ultimate goal.

Council courteously and respectfully invites all ICAN members to come together, join hands, put aside any differences and/or lingering past grievances, with unity in diversity, playing our parts individually and collectively, each and all putting our best feet forward, with consistent, constructive and decisive efforts to unite the Institute and build a strong, resilient, impactful and globally renown "ICAN" that we all can be proud of.

Finally, Council wishes you and your families the gifts of the season, great joy, good health, peace of mind and abundant prosperity in the new year 2018.

Let's celebrate ICAN!
Let's celebrate SWAN @40!
Let's celebrate the Accounting Profession!
Let's celebrate the Federal Republic of Nigeria!
Happy New Year 2018.

Isma'ila M Zakari mni, FBR, FCA
President



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**THE INSTITUTE OF CHARTERED
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HEAD OFFICE:

Plot 16, Idowu Taylor Street,
Victoria Island, Lagos.

P.O. Box 1580, Lagos.

Telephone: 09053847510,
09053847511

E-mail: info.ican@ican.org.ng

Website: www.icanig.org

ANNEXE OFFICE:

82, Murtala Mohammed Way,
Ebute Metta, Lagos.

Telephone: 09053847513

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THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA

(Established by Act of Parliament No.15 of 1965)

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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.

ICAN Centre:

Plot 12, Kofo Kasumu Street,
Amuwo Odofin, Lagos.

ICAN LIAISON OFFICES

Abuja Liaison Office:

Akintola Williams House
Plot 2048, Michael Okpara Way,
Zone 7, Wuse District, Abuja.
Tel: **09 - 8722302, 07034520270**
E-mail: **icanabuja@ican.org.ng**
ayusuf@ican.org.ng

Contact Person:

Mr. Yusuf Adamu

Kaduna Liaison Office:

3, Kanta Road, Ali Turaki House, Kaduna.
Tel: **08036788275**
E-mail: **icankaduna@ican.org.ng**

Contact Person:

Mrs. A.A. Adegoke

Kano Liaison Office:

Murtala Mohammed Library Complex
Ahmadu Bello Way,
P.O. Box 11283, Kano.

Tel: **08035900399**

Email: **icankano@ican.org.ng**
ahumaru@ican.org.ng

Contact Person:

Mr. A.H. Umaru

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Muyiwa DARE

Manager, Adverts

Nkem JACOB

Reporter

Ruth IDUMUEKWU

Correspondence should be addressed to:-
Corporate Communications and Marketing Directorate

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA

Plot 16, Professional Centre Layout,
Idowu Taylor Street, Victoria Island.
P.O. Box 1580, Lagos.

Tel: 09053847510, 09053847511

E-mail: corporateaffairs@ican.org.ng

ICAN Website: www.icanig.org

To remain relevant in a dynamic, competitive environment and continuous changes in global economic conditions, organisations have been forced to realise the need for continuous improvement and innovation in their business processes. This has led to several business process improvement strategies.

Our lead article in this edition entitled “**Business Process Improvement and Accounting: Establishing and Defining the Mutual Links**” examines the changing role of the accounting function from the record keeping and custodian function, to a proactive business support role, with the capacity to drive innovation, business intelligence and competitive advantage through business process improvement.

The paper also traces the relationship between business process improvement and accounting. The authors examined this from two perspectives by considering the accounting function as an enabler for business process improvement and how business process improvement techniques can be used to improve accounting processes.

In our article with the title “**Firm Performance and Web-based Environmental Disclosures: An Empirical Evidence of Nigerian Firms**” the author tries to investigate whether Firms’ Performances (FP) enhance Web-based Environmental Disclosure (WED). He however discovered that the average disclosure content over the study period 2010-2013 was 25.7%, which is very low.

The third article concentrates on “**International Financial Reporting Standards for Small and Medium Entities**”. It summarises the various sections of IFRS for SMEs. The paper concludes that SMEs in Nigeria should adopt IFRS for SMEs to ensure qualitative financial reporting.

You will also read about “**Effect of Board Characteristics on Financial Performance of Banks in Nigeria**”. The author used a panel data research design and a scope period of 2005 to 2014.

Other article in this edition is “**Non-Oil Exports: Way Out of Forex Challenge**” and on the health page, you will read about overcoming resistant hypertension as a common health issue in older men.

Your comments on the various articles, news, and other items published in this edition are welcome. Please send them to corporateaffairs@ican.org.ng or editor@ican.org.ng

SEVEN

Habits of Highly Exceptional Accountants

As accounting and finance professionals, you do so much more than just handle money matters — you’re also critical for creating strategy and driving process improvements across the entire organisation. But if the majority of your days are spent manually reconciling accounts and matching transactions, little time is left for these bigger picture activities. What if you could be more productive with fewer resources, less overtime, and also easily improve the quality of your work? Not only would you be pleased with this improvement, but it would also set you apart in the industry. By adopting seven key habits, you can become an exceptional accountant.

What is an Exceptional Accountant?

Historically, too much of accounting and close activities involved mundane book-keeping and manual data validation. With new technology that can automatically discover errors, inaccuracies, and exceptions, accountants are freed to focus on the issues instead of losing days just trying to find them in the first place.

By only researching the anomalies, accounting and finance staff can also refocus on providing strategic guidance to the business, such as improving internal processes or finding cost-saving opportunities. In other words, the added time allows accountants to apply not just their knowledge and expertise, but also their nuanced creativity and intelligence. By focusing only on exceptions, you can be free to be an Exceptional Accountant.

Building a Foundational Framework

At In-The-Black in Los Angeles, a panel from Johnson Controls discussed the seven habits that can help you achieve exceptional accountant status while building a foundational framework for your accounting and finance teams.

The Johnson Controls panel is highly qualified to be speaking about this subject. Through hard work, they have developed a high-performing accounting organisation that is not just embracing change but driving it.

Their secret is finance automation. After going through significant reorganisations and several different acquisitions, they realised they needed to implement process automation to gain confidence in their numbers, benefit from global transparency, and improve accountability. It’s enabled them to break down business-driven silos, earn that win-win with auditors, and work smarter, faster, and better. Here’s how they did it.



GET ORGANISED

How often do you begin your work day knowing exactly what needs to get done, when, and by whom? Developing detailed schedules adds discipline and structure to your financial systems and ensures your accounting stays on track.

But when you have tens of thousands of accounts to reconcile, multiple checklists and calendars, and no idea what your coworkers have completed — especially during the close — this is easier said than done.

Automating the account reconciliation process improves organisation through easy access to data and workflow benefits. Implementing a task management tool provides visibility into what your team has on their plate, replaces the inefficient spreadsheets approval process, and manages the entire financial close with checklists, real-time dashboards, and structure to ensure compliance.



TAKE CONTROL

To become exceptional, accountants must have controlled, well thought out processes. And to ensure they’re done properly and accurately, controls need to be in place for change management and to maintain integrity. A solid foundation with strong controls and processes allows for endless growth and expansion opportunities. But it isn’t possible to achieve this with manual processes that limit the enforcement of controls and leave compliance gaps. Process automation enhances internal controls while enforcing standardisation to improve the quality and accuracy of financial data. No longer weighed down by the most time-consuming manual work, you are finally free to use your knowledge and expertise to instinctively discern mistakes

and compliance issues, and detect the first indications of fraud.



DOCUMENT

Documentation is vital to accounting processes. Reconciliations, journal entries, and many other financial close tasks must be documented in such a way that a user can not only follow the logic, but also reach succinct conclusions. The individuals preparing and reviewing the task should have a basic understanding of the task purpose and methodologies. It's also incredibly important to provide guidelines, an implementation plan, and training so that everyone is aligned with policies and processes.



SEEK GROWTH

It's so easy to go to work each day and grind through everything on your To-Do-list with your head down. It's easy to get comfortable doing things the way they've always been done, and even easier to do the bare minimum just to get by. But accountants are too highly skilled and too valuable to spend 40-80 hours of their week this way. Pursuing a continuous improvement mindset — looking for new and better ways of doing things — is much more rewarding and creates opportunities for you to impact the bottom line. Strive to exceed strategic and operational goals by contributing to the creation of a high-performing and sustainable organisation.



TAKE OWNERSHIP

Ownership comes with holding yourself and your co-workers accountable. Take the time to perform post-mortem reviews to identify what went right and what went wrong. Seek out root causes, and then incorporate what you've learned into a continuous improvement model. The best performing finance teams know that success means always adapting, innovating, and improving to create a culture of continuous improvement. Looking for new ways to use technology to parse and automate logic-based processes can help you feel more invested, as you're playing an essential



CHALLENGE

Don't just accept the way things have always been done. Instead, seek to understand the entire process from end to end and then challenge it, applying out-of-the-box thinking to uncover better operating models. It's taking a long time for innovation to find its place within Accounting and Finance, and now is the time to challenge your own company's internal policies. This can result in streamlining processes to eliminate unnecessary steps, which reduces the amount of work and improves quality all around.

This step is essential for being exceptional because the manager accepts the status quo; the leader challenges it.



AUTOMATE

The most effective way to put the six previous habits into practice is to follow this principle: if you can't eliminate it, automate it. Manual processes are time-consuming and responsible for the huge spike of work during the financial close. As organisations automate these processes, it will accelerate their close and free up time to focus on more value-adding activities. Automation increases accounting efficiency and transparency, and creates more satisfied and engaged finance and accounting teams.

Better yet, you can trust the numbers again. Becoming an Exceptional Accountant, these seven habits work in unison to serve as building blocks to Exceptional Accountant status. Today, more than ever before, exceptional accountants are exactly what companies need. The panel from Johnson Controls left their In-The-Black audience with this final insight: Only accountants can save the world through peace, goodwill, and reconciliations.

Becoming an Exceptional Accountant

These seven habits work in unison to serve as building blocks to Exceptional Accountant status. Today, more than ever before, exceptional accountants are exactly what companies need.

The panel from Johnson Controls left their "In-The-Black" audience with this final insight: Only accountants can save the world through peace, goodwill, and reconciliations.

Solutions to Enable Exceptional Accounting

Take the first step to freeing your exceptional accountants by establishing the right processes and applying the right technology to deliver new levels of efficiency, control, and visibility across your accounting and finance operations. ●

★ Culled from www.blackline.com

2018 MCPE PROGRAMME

Seminar Dates, Zones, Sectors and Locations

S/N	ZONE	SECTOR	DATES	LOCATIONS
1.	Lagos	Tax Practice	March 07 – 08	Lagos Airport Hotel, Ikeja, Lagos
2.	Onitsha	Tax Practice	April 04 – 05	Diocese on the Niger Auditorium, Ozalla Road, Onitsha, Anambra State
3.	Lagos	Accountancy, Audit & Insolvency	April 04 – 05	Lagos Airport Hotel, Ikeja, Lagos
4.	Jos	Consultancy	April 04 – 05	Crest Hotel & Gardens, Old Airport Road, Jos, Plateau State
5.	Lagos	General Management Practice	April 11 – 12	Lagos Airport Hotel, Ikeja, Lagos
6.	Port Harcourt	Accountancy, Audit & Insolvency	April 25 – 26	Landmark Hotels Ltd, 4, Worlu St., Off Olu-Obasanjo Road, D/Line, Port Harcourt, Rivers State
7.	Lagos	Entrepreneurship	April 25 – 26	Lagos Airport Hotel, Ikeja, Lagos
8.	Abuja	Mining	May 02 – 03	Kapital Klub & Apartments, No. 3, Gamal Abdul Nasser Close, Near World Bank, Asokoro, Abuja
9.	Lagos	Public Sector Accounting	May 02 – 03	Lagos Airport Hotel, Ikeja, Lagos
10.	Warri	Agricultural	May 23 – 24	PTI Conference Centre, Effurun/Ughelli Expressway, Uvwie, Warri, Delta State
11.	Lagos	Energy	May 23 – 24	Lagos Airport Hotel, Ikeja, Lagos
12.	Lagos	Manufacturing	May 30 – 31	Lagos Airport Hotel, Ikeja, Lagos
13.	Owerri	Entrepreneurship	June 06 – 07	Maranatha Suites, 5, Maranatha Avenue, Near Umuguma Junction, Along Owerri - Port Harcourt Road, New Owerri, Imo State
14.	Lagos	Information Technology	June 06 – 07	Lagos Airport Hotel, Ikeja, Lagos
15.	Enugu	Accountancy, Audit & Insolvency	June 06 – 07	Bridge Waters Hotel, Plot C/2b, Garden Avenue, GRA, Enugu, Enugu State
16.	Ilorin	Entrepreneurship	June 20 – 21	Savannah Hotel, KM 2, Ajase-Ipo Road, by Gaa Akanbi Junction, Ilorin, Kwara State.
17.	Lagos	Telecommunications	June 20 – 21	Lagos Airport Hotel, Ikeja, Lagos
18.	Uyo	Information Technology	June 27 – 28	Grace's R & R Event Centre, Opp Women Development Centre, Along IBB Way, Uyo, Akwa Ibom State
19.	Lagos	Education	June 27 – 28	Lagos Airport Hotel, Ikeja, Lagos
20.	Kano	Entrepreneurship	July 04 – 05	Horizon Hotel, No 5, Court House Close, off Miller Road, Bompai, Kano, Kano State
21.	Lagos	Agricultural	July 04 – 05	Lagos Airport Hotel, Ikeja, Lagos
22.	Benin	Consultancy	July 04 – 05	Uyi Grand Hotel & Suites, 35, Aideyan Street, off Ihama Road, GRA, Benin City, Edo State
23.	Lagos	Oil & Gas	July 11 -12	Lagos Airport Hotel, Ikeja, Lagos
24.	Port Harcourt	Tax Practice	July 18 – 19	Landmark Hotels Ltd, 4, Worlu Street, off Olu-Obasanjo Road, D/Line, Port Harcourt, Rivers State
25.	Lagos	Collaboration with OPB	July 18 – 19	Lagos Airport Hotel, Ikeja, Lagos
26.	Abuja	Capital Market	July 25 – 26	Kapital Klub & Apartments, No. 3, Gamal Abdul Nasser Close, Near World Bank, Asokoro, Abuja
27.	Lagos	Banking	July 25 – 26	Lagos Airport Hotel, Ikeja, Lagos
28.	Kaduna	Information Technology	August 01 – 02	NAF Club, Rabah Road, Kaduna, Kaduna State
29.	Lagos	Capital Market	August 01 – 02	Lagos Airport Hotel, Ikeja, Lagos
30.	Calabar	Public Sector Accounting	August 08 – 09	Transcorp Hotels, 10, Murtala Mohammed Highway, Calabar, Cross River State
31.	Lagos	Governance & Politics	August 08 – 09	Lagos Airport Hotel, Ikeja, Lagos
32.	Asaba	Tax Practice	August 15 – 16	Hotel Beniza, 1-4, Kingsley Emu Street, Behind Fine Homes, off Summit Road, Asaba, Delta State
33.	Lagos	Consultancy	August 15 – 16	Lagos Airport Hotel, Ikeja, Lagos
34.	Awka	Tax Practice	August 29 -30	King David Hotel Ltd, 46, Regina Caeli Road, off Enugu-Onitsha Express Road, Awka, Anambra State
35.	Lagos	Islamic Banking	September 05 – 06	Lagos Airport Hotel, Ikeja, Lagos
36.	Aba	Tax Practice	September 05 – 06	Chidi Ajaegu ICAN Centre, Opp. Federal Road Safety Office, Osisioma Exp. Road, Aba, Abia State
37.	Lagos	Mining	September 19 – 20	Lagos Airport Hotel, Ikeja, Lagos
38.	Lagos	Accounting for Agric/Mining/NFPO	September 26 – 27	Lagos Airport Hotel, Ikeja, Lagos
39.	Lagos	Tax Practice	October 17 – 18	Lagos Airport Hotel, Ikeja, Lagos
40.	Lagos	Insurance	Oct. 31 – Nov 01	Lagos Airport Hotel, Ikeja, Lagos
41.	Abuja	Tax Practice	November 21 - 22	Kapital Klub & Apartments, No. 3, Gamal Abdul Nasser Close, Near World Bank, Asokoro, Abuja
42.	Ibadan	Governance & Politics	November 21 - 22	Premier Hotel, Mokola Hill, Oremoji, Ibadan, Oyo State
43.	Akure	Entrepreneurship	November 28 – 29	Royal Birds & Towers, Alagbaka Quarters, Akure, Ondo State
44.	Lagos	Happiness & Positivity	November 28 – 29	Lagos Airport Hotel, Ikeja, Lagos
45.	Lagos	Accountancy, Audit & Insolvency	December 12 – 13	Lagos Airport Hotel, Ikeja, Lagos

Note: A change in seminar dates/venues would be communicated to members via e-mail, sms, social media and on the Institute's website at least a week to the programme.
Seminar Fee: N25,000 for pre-payment and N30,000 for payment on the day of the training.
Kindly note payments will not be accepted at the venue (Regular MCPE only). Credit Hours: 15 Units.
 ★Detailed brochure available on www.ican-ngr.org

FROM OTHER BODIES

Shaping the Future of Global Standards

...Call for Nominations Issued

A call for nominations for the four international standard-setting boards has been issued. For nearly two decades, the global economy and financial market stability have been supported by the work of these international, independent standard-setting boards. Members of these boards are highly knowledgeable and informed individuals with insight and perspectives relevant to global standards.

The Call for Nominations for 2019 details the upcoming opportunities for qualified individuals to join the International Auditing and Assurance Standards Board (IAASB), International Accounting Education Standards Board (IAESB), International Ethics Standards Board for Accountants (IESBA), and International Public Sector Accounting Standards Board (IPSASB). Serving on these boards allows individuals with diverse professional backgrounds to contribute to the development of international standards, and to gain international experience while serving the public interest.

Nominations for the 22 open volunteer positions can come from all stakeholders, interested parties, and the general public. Travel support is available to qualified candidates from developing nations, self-nominees, and public members.

Gender equality is especially important to the Nominating Committee and, therefore, nominations of strong female candidates are strongly encouraged. Although candidates are ultimately selected based on professional background and experience, nominations from Africa, Asia, the Caribbean, Latin America, and the Middle East are particularly welcome to promote greater diversity on each board.

Candidates should have relevant subject-matter knowledge as well as strong English proficiency. Each board meets up to four times per year; the required time commitment is approximately 300 to 850 hours per year, depending on the board, member involvement, preparation, and travel time.

IESBA Proposes Revised Ethical Requirements Prohibiting Improper Inducements

The International Ethics Standards Board for Accountants (IESBA) has released for public comment the Exposure Draft, Proposed Revisions to the Code Pertaining to the Offering and Accepting of Inducements. The proposals strengthen the Code of Ethics for Professional Accountants by clarifying the appropriate boundaries for the offering and accepting of inducements, and by prohibiting any inducements with intent to improperly influence behaviour.

The proposed comprehensive framework covers all forms

of inducements and applies to both professional accountants in business and professional accountants in public practice. It also provides enhanced guidance on the offering and accepting of inducements by professional accountants' immediate or close family members.

"Inducements with intent to improperly influence behaviour are a very major concern for the public interest, and they include the issues of bribery and corruption. Inducements made with improper intent are unacceptable and should be prohibited," said IESBA Chairman Dr. Stavros Thomadakis.

Among other matters, the proposals also require professional accountants to address any threats to compliance with the fundamental ethical principles in accordance with the Code's conceptual framework where there is no improper intent.

"The development of the proposals was informed by input from Transparency International UK based on their experience and insights in the area of bribery and corruption," noted IESBA Technical Director Ken Siong. "When completed, the provisions will constitute the last piece of the substantively revised and restructured Code."

Registration Now Open for World Congress of Accountants 2018 Sydney, Australia

The excitement is building and registration is now open for the world's largest gathering of accountants: the World Congress of Accountants (WCOA) 2018 in Sydney, Australia, November 5-8, 2018.

Held in the new International Convention Centre on the world-famous Sydney harbor and co-hosted by Chartered Accountants Australia and New Zealand and CPA Australia, the 20th WCOA promises to be the biggest and most exciting congress yet. IFAC's member organisations have always played an important role in telling millions of professional accountants about the importance of WCOA. For WCOA 2018, that role has never been easier.

From now until the congress starts in Sydney next November, our member organisations will have access to innovative, regularly-updated multi-media tools and content including: press releases, social media content, news updates, videos, and photos.

IFAC members will be able to access these materials after subscribing to the WCOA newsletter for regular updates. In the coming weeks, you will receive the newsletter and information on how to set up an account and password to start utilizing the WCOA Brand folder.

The WCOA 2018 program will explore a range of key themes, including:

- Protecting the public interest and building prosperity;
- Addressing the leadership challenge;
- Embracing disruptive technologies and innovation;
- Enhancing ethics and integrity; and
- Exploring sustainable solutions to business, social enterprises, and economies.

ACCA and one of Australia's leading universities, RMIT, are WCOA 2018's debut sponsors but there are many additional sponsorship opportunities available. E-mail info@wcoa2018.sydney for further information.

Toward Enhanced Professional Skepticism

The International Auditing and Assurance Standards Board (IAASB), International Ethics Standards Board for Accountants (IESBA), and the International Accounting Education Standards Board (IAESB) convened a small, cross-representational working group — the Professional Skepticism Working Group — to formulate views on whether and how each of the three boards' sets of international standards could further contribute to strengthening the understanding and application of the concept of professional skepticism as it applies to an audit.

The importance of professional skepticism is underscored by the increasing complexity of business and financial reporting, including the greater use of estimates and management judgment, business model changes due to technological developments, and the fundamental reliance of the public on dependable financial reporting. It lies at the heart of a quality audit. This publication outlines observations about the current environment and sets out actions the global standard-setting boards will take, as well as the role that other stakeholders can play, in enhancing professional skepticism.

Exploring the Growing Use of Technology in the Audit, with a Focus on Data Analytics

This Request for Input from the International Auditing and Assurance Standards Board (IAASB)'s Data Analytics Working Group (DAWG) provides insights into the opportunities and challenges with the use of data analytics in the audit of financial statements and outlines the insights gained from the DAWG's activities to date. The purpose of the Request for Input is to:

- Inform stakeholders about the IAASB's ongoing work to explore effective and appropriate use of technology, with a focus on data analytics, in the audit of financial statements; and
- Obtain stakeholder input and perspectives on whether all of the considerations relevant to the use of data analytics in a financial statement audit have been identified.

Supplementing this publication is a call for nominations for a newly formed Project Advisory Panel to further advise the IAASB and the DAWG on developments relevant to standard setting.

Stakeholder input will assist the IAASB in effectively responding to these developments in the public interest, including determining whether new or revised international standards or guidance may be necessary.

IPSASB Proposes New Lease Accounting Model for Public Sector

Call for Comment on Exposure Draft 64, Leases

The International Public Sector Accounting Standards Board (IPSASB) has released for comment Exposure Draft (ED) 64, Leases. ED 64 proposes a single right-of-use model for lease

accounting that will replace the risks and rewards incidental to ownership model in IPSAS 13, Leases. ED 64 also proposes new public sector specific accounting requirements for leases at below market terms (also known as "concessionary leases") for both lessors and lessees.

For lessees, ED 64 proposes accounting requirements that are converged with the International Accounting Standards Board's IFRS 16, Leases, by requiring the recognition of a right-of-use asset and a lease liability for all leases, except for short-term leases and leases of low-value assets.

For lessors, ED 64 proposes a right-of-use model specifically designed for public sector financial reporting that differs from the risks and rewards incidental to ownership model for lessors in IFRS 16 by:

- (a) Continuing to recognise and measure the leased asset according to the applicable IPSAS; and
- (b) Recognising a lease receivable and a liability (unearned revenue) as a result of the lease contract, except for short-term leases.

The proposals in ED 64 address common public sector lease contracts where a lessor and a lessee are part of the same economic entity. "Leases, including concessionary leases, are very important financing mechanisms in the public sector and in international organisations," said IPSASB Chair Ian Carruthers. "The proposals in ED 64 will provide better information on the financial impacts of leases and therefore enhance both the accountability of an entity for its management of resources and improve the quality of information for decision-making."

How to Comment

To access the Exposure Draft and its summary At-a-Glance document, or to submit a comment, visit the IPSASB website at www.ipsasb.org. Comments on the Exposure Draft are requested by **June 30, 2018**.

Focusing on Performance: Enhancing Governance

Guidance for Professional Accountancy Organisations to Enhance their Governance

Globally there are 60 countries that do not have professional accountancy organisations (PAOs), and, there are an additional 93 PAOs that do not have sufficient capacity to function effectively at all levels. IFAC (The International Federation of Accountants) continues its work in providing effective guidance to PAOs for enhanced governance. Strong governance enriches PAOs' mission and vision, resulting in improved quality of financial management systems in emerging economies.

IFAC has released a new publication, *'Focusing on Performance'*, to build awareness within the PAO community to provide guidance and encourage best governance practices and principles within their current governance arrangements. The publication also features a self-assessment tool for PAOs to utilise when reviewing their governance framework.

IFAC continues to identify and share PAO's governance experiences and success stories via the *Global Knowledge Gateway*. Visit the site now for resources and thought leadership.

Professionals Add Value to Governance – Zakari

The President of the Institute, Isma'ila Zakari has confirmed that professionals such as Chartered Accountants can add value to governance when given opportunities to serve.

Zakari gave this confirmation during his courtesy visit to the Executive Governor of Ogun State, Senator Ibikunle Amosun in Abeokuta on February 5. While commending the Governor on the milestone achievements recorded during his tenure, the President reiterated that all the achievements are as a result of his background as a Chartered Accountant, noting that the rigorous trainings he had received is being manifested as he continues to serve his people.

He said, "These momentous achievements are testimonies not only to your enviable track records of service to the good people of Ogun State, but also indelible evidence of the value that professionals can add to governance". He commended the state government for its high standards of Accountability and Public Finance Management in Nigeria.

Zakari urged Governor Amosun to support the ICAN initiative of training the younger generation through its various examinations, particularly to encourage the State Institution of higher learning to sign on to the Institute's Accounting Technicians' Scheme West Africa (ATSWA) and Mutual Cooperation Agreement with Tertiary Institutions (MCATI) in order to ensure that the younger generations in Ogun State are equipped with the necessary skills to contribute their quota to the development of the State's economy and the nation at large.

The Governor in his response pledged his support for the Institute's initiatives especially in the area of youth development, members' benevolent fund and other initiatives aimed at capacity building for the future of the state and country at large.

Corruption, Non-enforcement of Laws, Bane of Entrepreneurship in Nigeria

Massive corruption and non-enforcement of the country's laws have been identified as some of the challenges facing entrepreneurship in Nigeria and which eventually led to the high cost of doing business.

The Director of Human Capital and Development at the Federal Inland Revenue Services (FIRS), Mr. Victor Ekundayo made this assertion at ICAN Entrepreneurship and Capacity Building Forum in Abuja recently.

Other obstacles identified by Ekundayo include poor infrastructure, constant political imbroglio which discourages foreign investors, national economic decline since the 1980s and ethno-religious conflicts, as well as the difficulty of obtaining venture capital.

Addressing participants at the Forum, Ekundayo recommended that accountants should embrace entrepreneurship notwithstanding the challenges, in order to diversify their income streams. "Diversifying



Ogun State Governor, Ibikunle Amosun presenting a souvenir to ICAN President, Isma'ila Zakari

your income stream is crucial to protect yourself and your family against the unavoidable ups and downs of economic and industry cycles", he said.

In his own speech, the ICAN President, Isma'ila Zakari also emphasised the importance the Institute attach to Entrepreneurship, adding that members are encouraged on daily basis to become entrepreneurs to better their lots.

He maintained that the Institute has been organising various seminars and lectures for its members to become an Entrepreneurs. He stressed that the Institute will not rest on its oars in ensuring that members tow the line.



Past President of ICAN, Alh. Kabir Mohammed (left); ICAN President, Isma'ila Zakari; Mrs. Hilda Ozoh; and Mr George Onekhena of National Insurance Commission at the Entrepreneurship Lecture



ICAN President, Isma'ila Zakari with the Australian High Commissioner to Nigeria Paul Lehmann and Deputy High Commissioner, Cleo Wilson during a courtesy visit by the ICAN President and entourage

WCOA: ICAN Seeks Cooperation of Australian High Commission

The Institute has sought the cooperation of the Australian High Commission in Nigeria for timely and seamless consular services to its members that would attend the World Congress of Accountants (WCOA), billed for Sydney, Australia from November 5-8, 2018.

The ICAN President, Isma'ila Zakari, disclosed this when he paid a courtesy call on the Australian High Commissioner to Nigeria, His Excellency Paul Lehmann in Abuja recently.



PwC's Country Senior Partner, Mr. Uyi Akpata stressing a point to ICAN President, Isma'ila Zakari; Vice President, Razak Jaiyeola; and 1st Deputy Vice President, Nnamdi Okwuadigbo, during ICAN's visit to PwC

Zakari disclosed further that the International Federation of Accountants (IFAC) organises the World Congress of Accountants every four years, with the primary objective of bringing together finance leaders, policy setters, accountants and business leaders in a world-class business event to review the future of the profession.

He therefore requests the Ambassador's cooperation for the provision of timely and seamless consular services for group processing of entry visas to all delegates from Nigeria.

He also solicited the Commission's support for members of sister professional accounting organisations under the auspices of the Association

of Accountancy Bodies in West Africa ABWA who are also interested in securing their visas through the Australian mission in Nigeria.

Responding, the Ambassador expressed delight that the Conference is holding in Sydney, adding that it would afford Nigeria and Australia the opportunity to strengthen the future development of trade between the two countries.

He said, "having you travel to Australia is a fantastic opportunity to work with professional organisations in Nigeria. I have no worries concerning Visas. I can assure you that the Australian immigration authorities would be sensitised on the upcoming event in Sydney.

PwC to Partner with ICAN in Capacity Building

PriceWaterhouseCoopers (PwC) has assured the Institute of its continued support especially in the area of capacity building for students and Small and Medium size Practitioners.

The Managing Partner of the firm, Mr. Uyi Akpata disclosed this when he received the ICAN team led by the President, Isma'ila Zakari in his office recently.

He noted that the firm was ready to invest in students in any area the Institute wishes. Therefore, he called on the President not to hesitate to call on the firm if there is any area the two organisations could collaborate.

The President in his response appreciated the firm for its continued support and hinted that the firm should consider providing a training platform for the students who undergo the Institute's MCATI programme to develop their practical skills.

"The Governing Council of the Institute had



Members of SMP Forum in a group picture with the ICAN President, Isma'ila Zakari

benefited immensely from Partners of the firm, who served in different capacities as member of Council or on the Boards of the Faculties and in other committees," he added.

While appreciating the firm for its support over the years, the President said there was need to further assist and strengthen the Small and Medium Practitioners (SMP), noting that this was a major area the Big 4 Firms can support the Institute.

ICAN Partners Caleb University on MCATI

The Institute and Caleb University, Imota, Lagos, have signed a Memorandum of Understanding on the Mutual Cooperation Agreement with Tertiary Institutions (MCATI), which is an initiative of ICAN aimed at deepening the standards of learning and dissemination of knowledge of accountancy in Nigerian tertiary institutions.

Explaining what MCATI is all about, the President of the Institute, Isma'ila Zakari said it was collaboration between ICAN and Caleb University wherein the Institute's syllabus for qualifying professional examinations will be integrated with Caleb University's NUC approved curriculum for undergraduate accounting programme.

"The objective is primarily to deepen the standards and content of the BSc. Accounting curriculum as well as the quality of dissemination of Accounting knowledge to the students so as to remarkably improve their learning experience", he added.

Speaking further, Zakari explained that the Institute's qualifying professional examinations syllabus is designed to develop candidates core technical, commercial and ethical skills and

knowledge in a structured and rigorous way made up of 16 subjects broken down into three distinct levels.

He maintained that the successful completion of the ICAN examinations adequately equips candidates with the necessary skills and training and a recognised global accounting qualification.

According to him, the mutual cooperation agreement requires that undergraduate accounting students will study using the integrated ICAN/NUC approved accounting curriculum and those who graduate from the accounting department of Caleb would be granted 11 subject exemptions as against 7 subjects exemptions granted to students whose universities are under the normal ICAN accreditation scheme.

"That represents full exemptions from Foundation and Skill levels of the ICAN professional examinations.

Students who successfully complete their undergraduate accounting degree programme, would be granted exemptions from all the 5 papers in Foundation and 6 papers in Skill levels of the Institute's examinations. That means they would be required to write just the 5 subjects of the professional level only to qualify as Chartered Accountants," he concluded.

In his response, the Vice Chancellor of the University, Professor



ICAN President, Isma'ila Zakari and Vice-Chancellor of Caleb University, Professor Ayandeji Aina, displaying a copy of the MCATI MoU, signed

Ayandeji Daniel Aina expressed gratitude to the Council of the Institute for counting the University worthy of the MCATI scheme. While expressing optimism that the scheme will be successful, he promised to execute the terms and conditions of the MoU to the letter.

Police Academy Seeks Collaboration with ICAN

The Police Academy has signified its intention to partner with the Institute in order to balance and strengthen the accounting department of the Academy which has just received an interim accreditation from the National Universities Commission (NUC).

This was disclosed by a team from the Academy led by the Director, Academic Planning, Professor Sani Umar during a visit to ICAN in January. Umar disclosed that the Academy wishes to collaborate with the Institute since ICAN determines the standards of accountancy profession in the country.

He said, "Our visit is to discuss ways of partnering with ICAN, particularly for our accounting department. ICAN is a giant to us; we therefore seek assistance from you to accredit our accounting department in order to have a balanced and robust department."

The President of the Institute, Isma'ila Zakari in his response assured the team of the Institute's willingness to partner with the Academy, noting that ICAN was established to regulate the accounting profession in Nigeria, train financial experts, and also provide support for the country's educational sector. Therefore, it would partner with the Academy in the public interest.

He assured the team that ICAN would plan an accreditation visit to the Academy since it had a partial accreditation from the NUC and also provide the academy with books, laptops and



President of the Institute, Isma'ila Zakari flanked by the team from Nigeria Police Academy and ICAN team during the visit of the academy to ICAN in Lagos

accounting software if found worthy.

He stated further that the Institute could sign a Memorandum of Understanding (MoU) on trainings with the Academy through its Audit and Forensic Faculty to train the Cadets in fraud prevention and detection in support of the Federal Government's anti corruption crusade.

ICAN Inaugurates 55th District Society in Malaysia

...Signs MOU with University

In pursuance of its determination to spread its tentacles all over the world, the Institute has inaugurated its 55th District Society in Malaysia.

In his speech at the inauguration, the ICAN President, Isma'ila Zakari recalled that members of the ICAN in Malaysia applied for the formation of their District Society and eventually got Council approval after satisfying all the requirements.

Congratulating the interim Chairman of the District Society, Dr. Oluwatoyin Popoola, FCA and members of his executive committee, Zakari reiterated that Popoola's leadership qualities, traits and skills were unquestionable as such qualified him for the job.

He noted that Dr. Popoola had been in the service of the Institute since the past 25 years in various committees and capacities such as the Students' Affairs, Information Technology, Examinations, Strategy & Advocacy, Chairman ICAN Study Packs Publication and Editorial Board of ICAN Study Packs.

Speaking further, the ICAN President explained that the new District Society shall be regulated in accordance with the ICAN Bye-law for District Societies.

"The Council decisions are binding on the District Society. In essence, the management, supervision and control of the District



President of the Institute, Isma'ila Zakari presenting a gift to Director, Academic Planning of the Nigeria Police Academy, Prof. Sani Umar during a visit of the academy to ICAN in Lagos

Society rest with the Institute. The investiture of the first Malaysia & District Society Chairman, Dr Oluwatoyin Popoola, FCA by me symbolises the conferment of rights and privileges of the Institute at the local level on him. Therefore, I have no objection in recognising Malaysia & District Society as a Centre of Excellence in Research and Innovation,” he submitted.

In his acceptance speech, Dr. Popoola assured that as usual, he would continue to use his wealth of experience to support the activities of the Institute both in Malaysia and Nigeria.

It would be recalled that prior to the inauguration of the Malaysia District Society, the Institute had effectively coordinated professional development activities of its members in 54 District Societies within and outside Nigeria including USA, UK, Canada and Cameroon.

Meanwhile, the Institute has signed a memorandum of understanding with the management of a leading Malaysian University, Universiti Utara Malaysia (UUM).

In his speech at the occasion, the ICAN President, Isma’ila Zakari explained that for sustainable national development, there was urgent need for collaboration between professionals and academics.

He disclosed that establishing functional relationship with academic institutions and related bodies within and outside Nigeria was one of the cornerstones of ICAN’s desire to enhance professionalism and contribute its quota to national development.

Responding, the Vice Chancellor of the University, Professor Mohammed Ishak commended ICAN for deeming it fit to collaborate and commence mutually beneficial relationship with the University.

ICAN Solicits Accountant-General’s Support Over Accountability Index

The Institute has solicited for the support of the Accountant-General of the Federation (AGF), Alhaji Ahmed Idris in the implementation of the ICAN Accountability Index launched during the 47th Annual Accountants’ Conference in Abuja.

The call for support was made recently by the President of the Institute, Isma’ila Zakari, during his courtesy visit to the office of the Accountant-General in Abuja.

Explaining the objectives of the ICAN Accountability Index, Zakari said it was established to encourage greater accountability, transparency, fiscal and public finance management practices in Nigeria.

According to him, the Index would also fast track the implementation of IPSAS Accrual Basis in the three tiers of government and improves quality of governance and compliance with Fiscal Responsibility Act 2017.

He further explained that the ICAN Accountability Index would



ICAN President, Isma’ila Zakari and his team when the Nigerian High Commissioner to Malaysia, Ambassador Nurudeen Mohammed received them in his office

help in tackling corruption by engaging quality professionals in public sector and ensure timely completion of public sector budgets and public sector audited financial statements.

The ICAN President disclosed that the Index and structure would be widely publicised across the three tiers of government and to all Nigerian citizens, adding that the first report would be released in August/September 2018.

“ICAN would like to respectfully request that the distinguished Accountant-General of the Federation supports the ICAN



ICAN President, Isma’ila Zakari with Accountant-General of the Federation, Alh. Ahmed Idris

Accountability Index and be a lead advocate of the Index particularly among your State Accountants-General colleagues and at the Federation Account Allocation Committee,” he stated.

Earlier, the ICAN President had commended the Accountant-General over the successes he had recorded upon resumption

of office. According to him, the Accountant-General had worked assiduously to clear the backlog of statutory financial statements of the federal government which he inherited on assumption of office.

Zakari praised the AGF further on the completion and forwarding of the statutory financial statements of the federal government for the year 2012, 2013, 2014, and 2015 to the office of the Auditor-General for the federation, while that of 2016 was being finalised. He noted that work had commenced on the 2017 statements.

"You have deepened the service wide acceptability and usage of Government Integrated Financial Management Information System (GIFMIS) through noticeable increase in the number of MDAs as well made good improvements in its capability and security. You have anchored the timely and seamlessly implementation of government Treasury Single Account (TSA) which has generated huge savings of about N4billion monthly in the cost of ways and means," he stated.

He also eulogised the Accountant-General over the pairing of big accounting firms with small and medium practices and engaging them to carry out high-value professional services, adding that it was a welcome idea and highly appreciated by the profession, most especially, the small and medium practitioners.



ICAN Council Member, Mrs. Queensley Seghosime (left); ICAN President, Isma'ila Zakari; Foreign Affairs Minister, Geoffery Onyeama; and ICAN Vice President, Razak Jaiyeola during ICAN's visit to the Minister

Responding, the AGF Alhaji Ahmed Idris, expressed appreciation to ICAN for keeping the relationship between the two organisations. He disclosed that there were challenges in attaining perfection in government and charged ICAN to come up with suggestions that would bring solution to the problems.

He also promised that his office would support ICAN's Accountability Index and any other initiative to stem corruption, encourage probity and accountability in the Country.

ICAN to Collaborate More with the Auditor-General's Office

The Institute has pledged to support the office of Auditor-General for the Federation to overcome the enormous challenges facing it.

Speaking when he led an ICAN team on a courtesy visit to the Auditor-General for the Federation, ICAN President Isma'ila Zakari said the office deserves support because of its position as the gate keeper of the nation's financial transactions. He added that the wellness of the Office had great impact on the overall health of the nation's economy. He pointed out that the Institute, among other objectives, help build her members' capacity for



ICAN Vice President, Razak Jaiyeola (left); President, Isma'ila Zakari; Auditor-General of the Federation, Anthony Ayine; and ICAN 1st Deputy Vice President, Nnamdi Okwuadigbo during ICAN's visit to the Auditor-General's office

efficient and effective discharge of their duties and responsibilities through its Faculties and Mandatory Continuous Professional Education (MCPE) programmes. He therefore urged the Auditor-General to seize the opportunities offered by the Institute in this regard to upscale his team especially in the area of IT modules, Forensic Investigations and Fraud Detection.

In his remarks, the Auditor-General for the Federation Mr. Anthony Mkpe Ayine, FCA, said his office would need collaboration with ICAN in three key areas namely its five-year strategic plan, development of an audit manual and capacity building. "We will welcome assistance, collaboration and support from ICAN", he concluded.

ICAN Seeks the Introduction of Strategic Diplomacy and Operational Fund

Concerned with the issue of sub-optimal funding of the operations of Nigeria's foreign missions abroad, the Institute has called on the Minister of Foreign Affairs, Mr. Goffery Onyeama, to consider the introduction of a Strategic Diplomacy and Operational Fund for the country.

The President of the Institute, Isma'ila Zakari made the call in Abuja recently during a courtesy visit to the Minister in his office. According to him, establishing such Fund would motivate Nigeria's foreign missions. The ICAN President disclosed that the Institute had followed the progress of reorganisation taking place at the ECOWAS Commission, and emphasised the importance of Nigeria not only in maintaining its leadership role but also to ensure prompt and full payment of its community levy and other dues as soon as they become payable.

"Nigerians have so much to gain through ECOWAS. In addition, ICAN recommends that it was in our strategic national interest for Nigeria to hold the office of the Internal Auditor of ECOWAS in addition to any other office," he advised.

Earlier, the Institute had sought the Minister's cooperation and assistance for the 2018 World Congress of Accountants holding in Sydney, Australia, from November 5-8, 2018. The Minister in his response assured the Institute of his Ministry's support.

Ijebu-Ode & District Organises Quiz Competition at Catch-them-Young Programme

The Federal Government Girls College, Sagamu has emerged the winner of the 5th edition of the Catch-them-Young programme for Secondary Schools Quiz Competition organised by the Ijebu-Ode & District Society of ICAN.

The grand finale of the quiz competition which took place at Federal Government College, Odogbolu on February 6, 2018 had eight schools as finalists out of 29 schools that entered the



Miss Amaka Ossai of Federal Government Girls College, Sagamu, winner of the quiz competition organised by the Ijebu-Ode & District Society receiving a trophy from the ICAN President, Isma'ila Zakari

competition few months ago.

In his advice to the students who gathered for the Catch-them-Young programme, the President of the Institute, Isma'ila Zakari advised the young students to pursue a career in accounting profession. He noted that among the over 43,000 chartered accountants produced by the Institute are decision makers, business leaders, administrators as well as governors who stand tall among their pairs, excelling in their chosen career and contributing positively to the economy.

"If you pursue accountancy, you will go places; you will be good ambassadors representing different spheres of the economy both in the public and private sectors. There is no reason why we should advice you to follow a profession that is not prosperous, accounting is prosperous," he added.

He noted that though the Institute's examinations can be seen as difficult, with good preparation, determination and diligence, candidates can pass the examinations easily, noting that the objective of the rigorous examinations is to mold the candidates to become better professionals preparing them for the task ahead.

He said that ICAN training and certificate can afford them the opportunity to set up their own business, be self employed and even become employers of labour.

Appointed:

Mr. Ebenezer A. Kolawole, FCA (MB 009846) elevated to Executive Director at Unity Bank Plc.



Kolawole

Audit Quality Should be a Priority to Accounting Profession

The National Senior Partner of KPMG Professional Services, Mr. Kunle Elebute has reiterated that audit quality should be the priority of all professional accountants so as to give the profession credibility and make it more attractive.

Elebute made the assertion in Lagos recently when the 53rd President of the Institute, Isma'ila Zakari paid courtesy call to his office, stressing that as a matter of policy, anybody who intends to work with his organisation must be a member of ICAN.

Speaking further, he commended ICAN's initiative of getting recognition in other countries, saying that this alone has reduced the crave for foreign qualifications among the youths. However, he appealed to the Institute to expedite action on its reciprocity plan with other bodies across the world.

Responding, Zakari said that ICAN was always thinking ahead and has decided to be the hub for accounting profession in Africa. He added that the Institute has a great respect for KPMG's professionalism and expertise,



ICAN President, Isma'ila Zakari presenting a gift to the National Senior Partner of KPMG, Mr. Kunle Elebute



ICAN President, Isma'ila Zakari and his team with the management team of KPMG during ICAN's visit to the firm

therefore willing to partner with it at all times.

On audit quality as the back bone of the profession, Zakari explained that the "Big 4" should be on top of the game for audit quality, adding that a Committee on SMPs has been put in place to ensure that things are going on well.

He also disclosed that NOCLAR has commenced earnestly in Nigeria without looking back. He enjoined every member of the Institute to embrace the trend.



ICAN President Isma'ila Zakari unveiling the plaque of the 350-sitting capacity lecture theatre donated to the Department of Accounting, University of Port Harcourt by ICAN. With him is the Vice Chancellor of UNIPORT, Prof. Ndowa Lale and ICAN Vice President, Razak Jaiyeola at the commissioning recently



Alhaji Razak Jaiyeola, Vice President, ICAN (left); Mr. Blessing Ayemhere, Special Guest of Honour; Isma'ila Zakari, President, ICAN; and Nnamdi Okwuadigbo, 1st Deputy Vice President, ICAN during the induction of new members of the Association of Accounting Technicians West Africa (AATWA) of ICAN



Firm Performance and Web-based Environmental Disclosures:

An Empirical Evidence of Nigerian Firms

By **EMMANUEL EDACHE MICHAEL**
and **AMBROSE ABALIKE OKWOLI**

Abstract

This research investigates whether firms' performance (FP) enhances Web-based Environmental Disclosure (WED). This study is very fundamental because it presents some of the first empirically tested evidence of the effects of FP on WED employing firms listed on the Nigeria Stock Exchange (NSE). The findings indicate an insignificant negative relationship between WED and EPS on one hand and an insignificant positive relationship between WED and ROTA on the other. The study also indicates that the average disclosure content over the study period (2010 – 2013) is 25.76%, which is very low. It was recommended amongst others that regulatory regime is considered mandating listed firms to own websites and dedicate separate pages on their corporate websites for solely reporting environmental events.

Keywords: Environmental Accounting, Environmental Disclosure, Firm Performance, Corporate Websites, Corporate Environmental Responsibility, Disclosure Index.

1. INTRODUCTION

Environmental sustainability is no doubt this century's most significant issue currently facing nations across the globe. The issue has assumed a high public profile owing to concern regarding environmental degradation. This is evident in the Copenhagen Summit (COP15), the London and the parallel Pittsburgh Summit of the G20 Leaders, the United Nations Special Summit on the Environment (Firoz & Ansari, 2010; Jia, Liaxia & Adam, 2010) and the United Nations climate change summit in Paris (COP21) in December 2015 (Stern, 2015) where leaders of close to 200 nations converged to chart a course for a new template for environmental sustainability.

Environmental issues have also been perceived by many companies as a fundamental issue. Lyon and Maxwell (2011) noted that environmental issues have been on the "corporate radar for years". Bhasin (2012) affirms that firms globally are constantly challenged regarding environmental disclosures as a result of threatening public concerns about environmental degradation. Subsequently, companies are obliged to ensure a safer environment (ACCA, 2001; Malarvizhi & Yadav, 2009).

There is a noticeable shift from the traditional objectives of firms, concerning financial bottom line or profitability. Uwuigbe (2011, p.26) concludes that a well thought-out environmental management is key to a corporate image in the competitive world. Corporate executives are to ensure environmental sustainability through corporate practices away from only firm value maximisation "by lowering greenhouse emissions, reduce carbon trace, enhance the use of alternative renewable energy, and curtail environmental pollution" (Jia et al, 2010) and then disclose these environmental undertakings using the effective tool of environmental accounting.

Environmental accounting encompasses the literature of environmental disclosures (Eltaib, 2012). It is essential to a successful environmental management

(Uwuigbe, 2011). James (1998) sees environmental accounting as tracking and reporting of environmental responsibility costs including waste disposal.

Environmental disclosures have been traditionally done through the conventional print media including annual reports even for various calculated reasons (Lohdia, 2005; Malarvizhi and Yadav, 2009; Rouf and Harun, 2011). However, these media cannot be used for continuous and effective disclosures (Smith & Pierce, 2005; Dutta & Bose, 2007; Khan, 2007). Ghasempour and Yusof (2014) observe that there could be a considerable delay in getting print-based information like annual reports to stakeholders. Thus companies are now exploring the use of unconventional reporting and communication media (Adams and Fros, 2004).

Web-based corporate reporting is no doubt an increasing global trend in the past two decades or thereabout. Xiao, Jones and Lymer (2005, p.132) concurs that "within a short period of fewer than 20 years, the internet has grown from an essentially academic facility to the backbone of the information superhighway". Considering this global trend, one begins to wonder whether companies within Nigeria can afford to be left out of this all-encompassing wave of technological competency for environmental reporting practices.

Firms' performance and web-based environmental disclosure (WED) in Nigeria is yet to be fully researched. Therefore, the literature in this line is largely inadequate. The attempt by Uwuigbe (2012) covers only a minute section of the entire companies that own a website as listed on the Nigeria Stock Exchange (NSE). This study fills this gap by providing empirical evidence on the effect of firms' performance on web-based environmental disclosures of the entire companies quoted on the Nigeria Stock Exchange.

1.1 Statement of the Problem

Studies on web-based environmental disclosure (WED) have been well researched in developed economies and more current literature has centred specifically on bigger firms operating in the developed world (Adams & Frost, 2004; Lodhia, 2004, 2005, 2006, 2007; Jose & Lee, 2006; Razeed, 2009; Chowdhury & Hamid, 2013). Lodhia (2006, p.71) further echoed this position noting that research on web-based environmental disclosures are comparatively recent and are based on practices in the UK, US and Australia. The foregoing cannot be said of African countries particularly Nigeria. Moreover, findings of previous research on web-based environmental disclosures from developed economies cannot be entirely valid for Nigeria due largely to systematic and cultural differences.

The main problem of this study is that there is a very limited literature on web-based environmental disclosures of quoted firms in Nigeria. Furthermore, the attempt made by Uwuigbe (2012) covers a very small section of the entire listed companies on the NSE that own a website. Another limitation of this study is that it did not compare web-based environmental disclosure extent across industry groups. This study fills this gap by providing empirical evidence on the relationship between firms' performance and web-based environmental disclosures of the entire NSE listed firms that operate and maintain a corporate website.

1.2 Research Questions

- What is the extent of web-based environmental disclosures (WED) of quoted firms in Nigeria?
- Does firms' performance enhance the level of web-based environmental disclosures (WED) in Nigeria?

1.3 Objectives of the Study

Specifically, this study seeks to:

- Assess the extent of web-based environmental disclosure of quoted firms in Nigeria;
- Determine whether firms' performance enhances the degree of web-based environmental disclosures (WED) of quoted firms in Nigeria.

1.4 Research Hypothesis

2. LITERATURE REVIEW

As businesses strive to provide goods and services to their customers in order to primarily create wealth for their stakeholders, they engage in activities that impact the environment negatively. This creates a kind of secondary responsibility for businesses towards their immediate and remote environment in which they operate.

Corporate environmentalism has become a troubling issue confronting twenty-first-century firms in recent past due to rising concern for environmental degradation (Ramana, 2013; Uwuigbe, 2012). Perhaps corporate environmentalism, including disclosures, is an upshot of environmental cost which has become a significant part of firms' total expenditure (Global Development Research Centre, 2014).

The Web has revolutionised business and communications in the twenty-first century (Adams & Frost, 2004:19). Guthrie, Cuganesan, Ward (2006) examined both web-based and print-based annual report disclosures and acknowledged that the web has revolutionised how companies disseminate information. ACCA (2001) sees the web as an internet resource containing web pages that are accessed and read via a web browser.

Public concern regarding firms' environmental events and follow-on impact has fiercely intensified in the recent past. Through the web, stakeholders are beginning to demand an understanding of how firms are managing the effects their activities have on the environment (ACCA, 2001).

2.1 The Concept of Environmental Accounting

There is no universally agreed definition of environmental accounting. Environmental accounting has thus been conceptualised from its usage and significance. Uwuigbe (2011, p.42) confirms that environmental accounting "is a term with many meanings and uses".

Environmental accounting emerged as an extension of corporate social objectives reflecting varying degrees and types of environmental degradation vehemently debated at high places (Glautier, Underdown and Morris, 2011). James (1998) noted that environmental accounting is the recognition and reporting of those special costs that are related to corporate environmental responsibility. Environmental accounting is a management tool used for strategic purposes to improve the environment using different approaches (Uwuigbe, 2011). Glautier, *et al* (2011)

asserts that environmental issues permeate all aspects of business ranging from product design to manufacturing and delivery.

USEPA (1995) places emphasis on three distinct categories of environmental accounting to include national income accounting, financial accounting, managerial or management accounting. USEPA (1995, p.18) adds that environmental accounting helps to raise the level of awareness and consciousness of companies' stakeholders regarding environmental costs. Thus, such costs can either be reduced or avoided, yet improve environmental quality. Enahoro (2009) believes that environmental accounting assists firms in building a culture of sustaining the environment in which they operate and do business.

2.2 Corporate Environmental Responsibility Delineated

All businesses have the obligation to employ their resources, both human and material, to the fullest extent possible. Business firms are corporate citizens; they are admired and judged in relation to their environmental responsibility dealings (Ramana, 2013).

Corporate environmental responsibility is a businesses' moral/corporate social responsibility that ensures environmental sustainability (Desjardins, 1998; Dummet, 2008).

According to Vogel (2005) corporate environmental responsibility is "complex and multidimensional" as it encompasses corporate practices ranging from natural resource management and use to waste generation and disposal, recycling, the marketing of environmentally friendly products, and pollution prevention and control. ENGO (2005) concurs that corporate environmental responsibility takes many forms, depending upon a company's priorities and perceived needs, which are influenced by numerous factors such as company size, products and operations. Furthermore, ENGO (2005) described "environmental commitment and awareness, stakeholder engagement, measuring, reporting and auditing, transparency, commitment to continuous improvement, and going beyond compliance" as the components of corporate environmental responsibility.

2.3 Web-based Environmental Disclosure (WED): A Western Outlook

Studies on Web-based Environmental Disclosure (WED) practice whether web-based or not have largely emanated from the West. Using different research approaches and methods, many countries like UK, Australia, Canada, Germany, USA, China, Japan etc, vigorously involved in WED study and has taken measures in environmental protection (Zhang, Guo & Wei Wang, 2008). This affirms that there is an increase in the number of countries, especially the West, that have passed regulations requiring some sort of public disclosure of environmental issues. Examples of such countries include Japan, Denmark, New Zealand, and the Netherlands (Kolk, 2003 in Jose & Lee, 2007).

Andrew (2003) performed an initial exploratory investigation into the methods some Australian publicly quoted firms use for WED reporting practice. The study showed that WEDs are based on industry type. The study concludes that the type of WED

provided is not significantly different from traditional reports, thus the full potential of web-based media is yet to be fully employed. In some related studies, Lodhia (2004, 2004, 2005, 2006, and 2007) examined the best way WED can be carried out in Australia by studying the perceptions of corporate executives/managers. The studies revealed that WED is used by firms to maintain corporate acceptance rather than for also gaining or repairing it. This indicates that WEDs are not fully employed by firms to seek corporate acceptance from stakeholders, thus strengthening the position of Andrew (2003). Furthermore, the limitations in print-based environmental reporting practices made a case for web-based environmental reporting. Lodhia (2005), however, affirmed that the use of the web has an impact on environmental reporting practice.

Adams and Frost (2004) investigated some selected corporate websites from Australia, Germany and the United Kingdom, revealing the degree of web-based environmental disclosure (WED). They discovered that amongst the stakeholders, customers and shareholders significantly influenced websites design in web-based environmental reporting. In addition, they found that raising corporate awareness and improving corporate image primarily influenced the development of corporate websites. They concluded that the precedence given to customers, shareholders and corporate image can act as an unhelpful force in the future development of corporate websites for environmental reporting issues.

While early debates showed fewer proclivities of firms to web-based environmental reports, contemporary discussions and findings seem to go the opposite direction. Guthrie *et al* (2006) developed a web-based environmental reporting framework specific to Australian Food and Beverage Industry (AFBI) to empirically study corporate environmental performance using content analysis of annual reports and corporate websites to assess the degree made of their WED. They disclosed that firms were now favouring web-based environmental disclosures. In the same vein, Bhasin (2012) adopting contents analysis methodologies, investigated the status of environmental reports made by 39 corporations between 2005 and 2006. It was revealed that corporations provide more web-based reports than print-based annual reports. Guthrie *et al* (2006) agrees that this indicates a strong desire for researchers to consider corporate websites amongst other reporting channels. Eltaib (2012) also reported an improved position in environmental reports by investigating Australian oil and gas firms and found that environmental disclosure trend of studied firms oscillated during 2005-2010, but since 2007, reporting practices of most of the firms selected improved. Zhang, Gao and Zhang (2007) explored and reported that web-based environmental disclosures of Chinese quoted companies have improved significantly, even in terms of quantity and coverage.

Aerts, Cormier, Gordon and Magnan (2006) explored the drives and beliefs behind 56 multinational corporations' executives' web-based performance disclosure, including social environmental performance disclosures. They found that the awareness of corporate executives about stakeholders' significance impacts their firms' web-based environmental disclosure directions, practices and efforts. Jose and Lee (2007) using contents analysis investigated the web-based

environmental management policies and practices of the 200 largest firms in the world with the US, UK, Japan, Germany being among the top five. Their findings suggest that multinational companies are becoming more environmentally sensitive today than ever before.

2.4 Firms' Performance and Environmental Disclosures: Previous Evidence

Most previous studies as reviewed above examined the degree of web-based environmental disclosures (WED). But there are explanatory studies that examined the factors that are responsible for WEDs.

Mendes-da-silva & Christensen (2004); Almilia, (2009); Mohamed & Basuony, (2014); and Juhmani, (2014) found that firm size is statistically significant to disclosures made on corporate websites while research such as Ismail (2002) and Amilia (2009) revealed that leverage, profitability and industry-type also influence web-based disclosures.

Tagesson, Blank, Broberg and Collin (2009) empirically investigated the extent and content of WED information. Their findings suggest that size and profitability are positively correlated with the content of social disclosure information on firms' websites. They further revealed that State-owned corporations disclose more WED information than privately owned corporations does. They also found significant differences between different industries.

Jia *et al* (2010) investigated the environmental accounting disclosure of S&P 100 firms using keyword frequency count of company's 10k reports from 2004 through 2008 and showed that environmental disclosure has a significant negative impact on firm performance. They further found that firms with better financial value and highly-leveraged firms have lower environmental disclosures, suggesting that these firms have better environmental laws and regulations compliance rate.

Murray, Sinclair, Power and Gray (2005) studied the largest 100 UK firms based on turnover. They explored whether stock market participants in the UK exhibit any marked reaction to the environmental reports made by such firms. They found convincing evidence that the level of company returns over time is associated with the level of environmental disclosures over time.

2.5 Web-based Environmental Disclosure (WED): A Nigerian Outlook

The bulk of environmental accounting research in Nigeria to date has, for the most part, focused on traditional print media, particularly annual reports, as a communication means or medium. Therefore, there is a perceptible gap in the literature on the use of corporate websites for environmental reporting practices.

It should be acknowledged that there are studies in Nigeria that investigated environmental reporting practices that are based solely on conventional reporting and communication channels with the annual reports being the prime (Helg, 2007; Enahoro, 2009; Uwuigbe, Uwuigbe & Ajayi, 2011; Uwuigbe, 2011; Anyanwu, 2012; Uwuigbe & Jimoh, 2012; Uwuigbe & Olusanmi, 2013).

A search through literature suggests that only Salawu

(2012) and Uwuigbe (2012) investigated web-based accounting disclosures in Nigeria. To further add to this gap, Salawu, (2012) chiefly investigated web-based financial disclosure contents, extent and forms and not web-based non-financial disclosures. Thus, only Uwuigbe (2012) attempted to address web-based environmental disclosure practices selecting 15 financial and 15 non-financial firms. He examined the use of the internet for environmental reporting practices by quoted financial and non-financial firms in Nigeria adopting the content analysis method for collecting data from corporate websites and the linear regression technique to examine whether there is a relationship between firms' performance and the degree of their web-based environmental disclosures. He found that a significant positive association exists between firms' performance and the degree of WED. He further observed that there is no significant divergence in the degree of environmental reporting practices on websites between NSE listed financial and non-financial firms. The author concludes that web-based environmental reporting in Nigeria is still developing.

2.6 Theoretical framework

There are diverse and competing theoretical frameworks used as a driving force to explain why corporations may voluntarily engage in environmentalism. While each theoretical framework embraces a strong differing argument for its assertions, they have all helped in creating different thought approaches on the concept of environmental responsibility (Moses, Jatau, Ande, and Okwoli, 2014). Perhaps the foremost theme within web-based environmental disclosure research is the search for understanding why some corporations decide to disclose environmental information not minding its voluntariness. Thus the varied theoretical frameworks posed to explain the exigent motivations behind web-based environmental disclosures.

2.6.1 Stakeholder Theory

Stakeholder theory postulates that values are critical to doing business. Corporate executives must ensure that core stakeholders' interest is aligned with that of the business (Freeman, Wiki and Parmer, 2004).

Stakeholder has been identified as any individual or group of individuals who have a financial or non-financial interest in the company and thus can affect the affairs of the company or be affected by the company's affairs. Stakeholder theory asserts that the success of a firm is based on how it assesses and manages its connections with key groups including customers, employees, suppliers, financiers, communities and the general public that can affect its basic existence (Freeman and Philips, 1999).

According to Dibia, "*previous social and environmental accounting studies which utilised the stakeholder theory suggest that organisations respond to the expectations of stakeholders group specifically and generally to those of the broader community in which they operate, through the provision of social and environmental information within annual reports*" (2015, p.36).

2.6.2 Legitimacy Theory

Legitimacy theory is based on the idea that in order to continue operating successfully, corporations must act within the bounds of what society identifies as socially acceptable

behaviour (O'Donovan, 2002). Any corporation who falls short of acting within these societal bounds risks corporate social acceptability and profitability. Such company will be faced with legal limitations impressed on its operations and reduced demand for its products. The societal bounds, in this case, will involve engaging in environmental politics.

A great deal of the existing research into why corporations make corporate environmental accounting disclosures in the annual report indicates that legitimacy theory is one of the more likely justifications for the increase in environmental disclosures since the early 1980s.

O'Donovan (1999) and Uwuigbe (2012) suggests that corporations will increase environmental disclosures where it becomes necessary to validate negative environmental activities associated with the firm as this may enhance public perception of the firm. The broad motive behind this is to gain and maintain legitimacy in the eyes of key stakeholders (Suchman, 1995; Lodhia, 2005).

Firms legitimise their actions by engaging in voluntarism regarding environmental reporting such that they meet the society's beliefs (Uwuigbe, 2012).

3.0 Methodology

To examine the relationship between firms' performance and web-based environmental accounting disclosures, the study adopts the use of descriptive survey and cross-sectional content analysis of corporate websites which includes environmental disclosure in annual reports available on the internet, environmental reports found on the internet and environmental reports on the internet and environmental information on the internet aside those on the annual report and environmental reports. The population of the study consists of the 217 publicly traded companies on the Nigeria Stock Exchange. Nonetheless, this number was scaled down to 165 comprising companies that own, operate and maintain a corporate website. The random sampling technique was used and the Godden formula applied to arrive at a sample of 34.

3.1 Data Sources

Quantitative data were used for this study. In order to collect other data type, disclosure themes consistent with Milne (1999); Abu-Baker (2000); Mahlouji (2009) and Uwuigbe (2012) were employed to quantitatively measure the extent of environmental disclosure on corporate websites.

A social and environmental performance rating system known as the Kinder Lydenberg Domini (KLD), a dichotomous procedure, was used to assess Disclosure Score (DS) such that a score of 1 is awarded for disclosure and 0 for nondisclosure.

3.2 Sample Size and Sampling Technique

Consequently, a firm could score a maximum of 20 points and a minimum of 0 for each year i.e. 2013, 2012, 2011 and 2010 implying that a firm could score a maximum of 80 for the 4 years. This DS formula is functionally expressed as:

$$DS = \sum_{i=1}^{20} r_i$$

Where:

DS = Disclosure Score

r_i = A score of 1 if the item is disclosed and 0 for non-disclosure of the item

I = 1, 2, 3,.....,20 (set of natural numbers)

This study employs the regression analysis tool contained in the software EvIEWS 7 to investigate the effect of firms' performance on web-based environmental disclosure. This is consistent with Uwuigbe (2011), Uwuigbe (2012), Moses *et al* (2014).

3.3 Data Analysis

The following hypothesis, stated in null form, have been developed to test the relationship that exists between firms' performance and web-based environmental accounting disclosures.

Firms' performance does not significantly affect web-based environmental disclosure (WED) (β_1 & $\beta_2 = 0$).

The implications of rejecting the null hypotheses are that firms' performance affects web-based environmental accounting disclosures. Furthermore, the rejection of the null hypotheses means that the sign of the estimated β_1 and β_2 (see estimation models below) could be either positive or negative. If β_1 and β_2 are positive this indicates that firm's performance enhances web-based environmental accounting disclosures. Where β_1 and β_2 become negative it suggests that increase in firms' performance reduces web-based environmental disclosures. On the other hand, failure to reject the null hypotheses implies that firms' performance does not enhance web-based environmental disclosures.

In the estimation models, web-based corporate environmental disclosure index (WEDi) is regressed against firms' performance (EPS and ROTA) as follows:

$$WEDi = f(EPS, ROTA) \dots\dots\dots (1)$$

This is restated in regression form:

$$WEDi = \beta_0 + \beta_{1it}EPS + \beta_{2it}ROTA + \epsilon_{it} \dots\dots\dots (2)$$

Where:

β_0 is the intercept term in the above equations (1-2), β_{1it} and β_{2it} are the parameter of the regressor WEDi and

ϵ_{it} is the error term.

WEDi is web-based corporate environmental disclosure index.

Accounting-based measures of firms' performance are earnings per share (EPS) and return on total assets (ROTA).

The a priori sign is β_1 & $\beta_2 > 0$

3.4 Model Specification

This section presents the background statistical information of the study variables and the estimated relationship between firms' performance and web-based environmental accounting disclosure. The dependent variable is web-based environmental disclosure index (WEDi).

Table 1:
Descriptive Statistics for Dependent and Independent Variables

	Mean	Std. Deviation	Minimum	Maximum
WEDi	25.7647	11.66206	11.00	53.00
EPS	2.6419	5.07408	-14.43	28.08
ROTA	6.7435	7.63928	0.00	26.63

Source: Generated by the author from annual reports of the sampled companies (2010-2013) using SPSS 23 output.

Table 1 shows that the mean score for web-based environmental disclosure is 25.76% which is an indication of a very low disclosure content of listed firms in Nigeria. The minimum disclosure is 11% while the maximum disclosure is 53%.

4.0 Empirical Result

The empirical results in Table 2 show that the relationship between firms’ performance and WEDi of listed firms is not statistically significant. The relationship between WEDi and EPS is negative and insignificant since the Standard Error (S.E.) (β_1) value of 0.134327 is greater than $\frac{1}{2} \beta_1 = 0.0779065$ (in absolute term). It is also observed from the regression result that WEDi and ROTA are positively related but insignificant; S.E. (β_2) value of 6.703332 is greater than $\frac{1}{2} \beta_2 = 6.54335$.

The t-statistic test indicates that EPS and ROTA are statistically insignificant given p-values of 0.2549 and 0.06000 respectively which are greater than 0.05 at 5% level of significance, therefore, this study fails to reject the null hypothesis that states “Firms’ performance does not significantly affect web-based environmental disclosure (WED)”

The F-test value of 1.905998 has a p-value of 0.165694 at 5% significant level. This shows that the F-Statistic is insignificant at 5% level of significance. This result validates the T-statistic decision that accepted the null hypothesis.

The hypothesis as stated in null form “Firms’ performance does not significantly affect web-based corporate environmental accounting disclosure (WED)” was tested and the summary of the result indicates that EPS has an insignificant but negative effect on WEDi whereas ROTA shows a positive but insignificant effect on WEDi. The p-values of 0.2549 and 0.0600 for EPS and ROTA, which are higher than 0.05 at 5% significance level indicates that “firms’ performance does not significantly affect web-based corporate environmental accounting disclosure (WED)”. This finding negates the findings of Amilia, (2009), Tagesson et al (2009) and Uwuigbe (2012) who concluded that there is a significant positive relationship between firms’ performance and the degree of web-based environmental disclosure.

The WEDi index employed showed how insignificant the relationship is between listed firms’ environmental responsibility and their web-based disclosure levels. Perhaps discretionary-based reporting accounts for this dismal disclosure level. This

agrees with the discussion in the literature as confirmed by Lodhia (2004); Adams and Frost (2004); Lodhia (2006). The findings of Guthrie *et al* (2006), Jose & Lee (2007) and Bhasin (2012) suggest otherwise, by affirming that firms report more web-based environmental incidents than print-based.

This is a pointer that full transparencies enhancing stakeholders’ decision-making ability about investments are inadequate leading to misinformed judgements.

5.0 CONCLUSION

Considering the global trend in web-based environmental reporting, the question as to whether companies within Nigeria can afford to be left out of the all-encompassing wave of technological competency for environmental reporting practice is still begging for answers. Therefore, this study employed empirical methods to test the effect firms’ performance has on web-based environmental reporting of quoted firms in Nigeria. The evidence suggests that firms’ performance does not affect web-based environmental disclosure level of listed firms in Nigeria. Firms’ performance may not be used as an input factor for investment decision-making or explain why companies make web-based environmental disclosures. Perhaps firms make choice details regarding their environmental issues to enhance their corporate branding. The dismal environmental reporting at 25.76% on average shows that firms do not adequately disclose their environmental incidents.

It was discovered in the study that a number of listed firms do not own a website. In improving web-based environmental transparency level, it is recommended that regulatory laws and standards be set compelling listed companies to own and operate corporate websites, especially those without corporate websites, and dedicate separate pages on their websites for making environmental disclosures. This has the tendency of improving companies’ consciousness towards web-based environmental reports. Where this becomes the case, sufficient and quality environmental disclosure will be guaranteed.

A significant factor that contributes to company’s corporate survival is dependent on the communities’ acceptability of the firm. Thus it is recommended that firms enhance their corporate existence by engaging more on corporate environmental responsibility activities.

RECOMMENDATIONS

The study has some practical implications for academics and practitioners since it contributes to the literature on

Table 2:
Regression Results

WED_i = β₀ + β_{1it}EPS + β_{2it}ROTA + ε_{it}
Dependent Variable: WED_i
Method: Least Squares
Sample 1 34
Included Observations: 34

Variable	Coefficient	Std. Error	t-Statistic	Prob.
EPS	-0.155813	0.134327	-1.159947	0.2549
ROTA	13.08667	6.703332	1.952264	0.0600
C	24.74918	2.278498	10.86206	0.0000
R-squared	0.109502	Mean dependent var		25.64706
Adjusted R-squared	0.052051	S.D. dependent var		11.64339
S.E. of regression	11.33632	Akaike info criterion		7.777998
Sum squared resid	3983.877	Schwarz criterion		7.912677
Log likelihood	-129.2260	Hannan-Quinn criter.		7.823927
F-statistic	1.905998	Durbin-Watson stat		2.071174
Prob. (F-statistic)	0.165694			

Source: Generated by author from annual reports using Eviews 7 statistical package

environmental disclosure specifically web-based. Quoted firms can use the findings of the study to enhance their disclosure of environmental incidents. Moreover, regulators and professional bodies such as the Securities and Exchange Commission, Institute of Chartered Accountants of Nigeria (ICAN) and Association of National Accountants of Nigeria (ANAN) can use the findings of this study in setting the tone for corporate best practices regarding environmental disclosures.

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★ Mr. Emmanuel Edache Michael and Professor Ambrose Abalike Okwoli are both Staff of Department of Accounting, University of Jos, Plateau State, Nigeria.

INTERNATIONAL FINANCIAL REPORTING STANDARDS FOR SMALL AND MEDIUM ENTITIES (SMEs): A SUMMARY

By BARTHO N. OKEZIE

This is a descriptive research on International Financial Reporting Standards for small and medium entities. Small and Medium entities have special characteristics which distinguished them from larger entities. The objective is to summarise the various sections of IFRS for SMEs. The scope of this study covers the thirty-five (35) sections of IFRS for SMEs. The IFRS for SMEs is arranged in sections numbering from one (1) to thirty-five (35) with each section addressing important topic in full IFRS. The paper concludes that SMEs in Nigeria should adopt IFRS for SMEs to ensure qualitative financial reporting.



1.1 Introduction

Recently, the International Accounting Standards Board (IASB), in reaction to the public observations that full International Financial Reporting Standards (IFRS) may be difficult for small entities to comply with, issued IFRS for SMEs, to encourage small and medium entities in their Financial Reporting. IFRS for SMEs is a translation of the full International Financial Reporting Standards to address the financial reporting needs of small and medium entities. Though this standard is an interim standard, it has narrowed down the gap in financial reporting between small and large entities, so that small and medium entities can achieve qualitative financial reporting with minimal stress. IFRS for SMEs if adopted in Nigeria is seen as a driving force which will propel the financial reporting activities of SMEs. It is on this note that this article looks at the specific characteristics of small entities, the expected benefits of the adoption of standards and the summary of IFRS for SMEs.

1.2 Definitions and Characteristics of SMEs

The term *small business entities* have been used generally and without specific and careful definition of what is *small*. What can we use to accurately measure size? Attempts have been made to define small business entities in terms of (1) Employment, (2) Assets value, or (3) Sales volume. All have proven unsatisfactory in some respects. This lack of agreement stems largely from the diverse character of different industries. An entity in one industry may look large relative to its competitors, yet small in employment, assets and sales value relative to entities in other industries; or the reverse may be the case. In some circumstances the entity may be small on the basis of employment and large in assets and sales, or vice versa. Also, size expressed in monetary terms need to be reviewed frequently in times of inflation or deflation to reflect changes in the value of money. Some of the characteristics of a small business entity can be summed up as follows:

- (i) Actively managed by its owners;
- (ii) Highly personalised;
- (iii) Largely local in its area of operations;
- (iv) Of relatively small size within the industry; and
- (v) Dependent largely on internal sources of capital to finance its growth. These are the characteristics which give rise to most of its problems and special needs (Baumback, 1992).

Section 351(1) of CAMA states that a company qualifies as small company in a year if for that year the following conditions are satisfied:

- (a) It is a private company having a share capital;
- (b) The amount of its turnover for that year is not more than 2 million or such amount as may be fixed by the Corporate Affairs Commission;
- (c) Its net assets value is not more than 1 million or such amount as may be fixed by the Commission;
- (d) None of its members is a government corporation or agency or its nominee; and
- (e) The directors between them hold not less than 51 percent of its equity share capital.

A small entity can also be looked at from the following viewpoints:

- (a) There is concentration of ownership and management in a small number of individuals (often a single individual); and
- (b) One or more of the following are also found:
 - ★ Few sources of income;
 - ★ Unsophisticated record-keeping;
 - ★ Limited internal controls together with the potential for management to override of controls (Okezie, 2004).

Predominantly, in Nigeria, small and medium sized entities maintain incomplete records, hence the need for IFRS for SMEs. In place of full International Financial Reporting Standards, IFRS for SMEs is also in line with the provisions of CAMA in respect of presentation of modified financial statements.

1.3 The Role of SMEs

It can reasonably be inferred that small business entities are independently owned and are entities servicing strictly local markets. Although the giant corporations and mass-production entities look important in terms of productivity and capital investment, it is the small business that actually constitutes the backbone of the nation's economy.

It is clear that small business predominate in all private sectors of the economy. The relative importance of the small firm, however, differs considerably from one type of business to another, and cannot be over-emphasised.

1.4 Benefits of the Adoption of IFRS for SMEs

The expected benefits derivable from the adoption of IFRS for SMEs in Nigeria include that it will:

- a) Build a strong economy driven by small and medium entities which are private sector based;
- b) Improve quality of financial reporting by small and medium entities;
- c) Improve accounting and Internal Control System which ensures the survival of these SMEs;
- d) Improve management decisions since qualitative financial information will be available;
- e) Improve the Nigerian industrial base and creation of employment opportunities through the SMEs; and
- f) Improve quality control in financial reporting.

2.1 Objective of the Study

The aim of this article is to summarise the various sections of IFRS for SMEs, so that SMEs in Nigeria will appreciate the need to adopt the standards in their financial reporting. The approach for the work is descriptive and it is limited to the main highlight of IFRS for SMEs. It does not attempt to compare the full International Financial Reporting Standards with the IFRS for SMEs but for each section the relevant number of full IFRS is referenced.

3.1 SUMMARY OF THE IFRS FOR SMEs

The IFRS for Small and Medium-sized Entities is organised by topic, with each topic presented in a separate section. All of the paragraphs in the standard have equal authority. The standard is appropriate for general purpose financial statements and other financial reporting of all profit-oriented entities. General

purpose financial statements are directed towards the common information needs of a wide range of users, for example, shareholders, creditors, employees and the public at large. The IASB intends to issue a comprehensively reviewed standard after two year's implementation, to address issues identified.

Section 1 is on the Composition of Small and Medium-sized Entities

IASB defines small and medium-sized entities as entities that:

- (a) Do not have public accountability; and
- (b) Publish general purpose financial statements for external users.

General purpose financial statements are those that present fair financial position, operating results, and cash flows for external capital providers and others.

An entity has public accountability if:

- (a) Its debts or equity instruments are traded in a public market or it is in the process of issuing such instruments for trading in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets), or
- (b) It holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses. This is typically the case for banks, credit unions, insurance companies, securities brokers/dealers, mutual funds and investment banks. If an entity holds assets in a fiduciary capacity as an incidental part of its business, that does not make it publicly accountable. Entities that fall into this category may include public utilities, travel and real estate agents, schools, and charities.

The standard does not contain a limit on the size of an entity that may use the IFRS for SMEs provided that it does not have public accountability nor is there a restriction on its use by a public utility, not-for-profit entity, or public sector entity.

Section 2 deals with Concepts and Pervasive Principles (IAS 8)

Objectives of SMEs' financial statements are:

- i) To provide information about financial position, performance, and cash flows;
- ii) To show results of stewardship of management over resources; and
- iii) To show qualitative characteristics such as understandability, relevance, materiality, reliability, substance over form, prudence, completeness, comparability, timeliness, balance between benefit and cost.

There are only three items of other comprehensive income (OCI) in the IFRS for SMEs:

1. Some foreign exchange gains and losses relating to a net investment in a foreign operation (see Section 30).
2. Some changes in fair values of hedging instruments- in a hedge of variable interest rate risk of a recognised financial instrument foreign exchange risk or commodity price risk in a firm commitment or highly probable for forecast transaction, or a net investment in a foreign operation (see Section 12). Hedge accounting is optional.
3. Some actuarial gains and losses (see Section 28).

Reporting actuarial gains and losses in OCI is optional.

Section 3 is on Financial Statement Presentation (IAS 1)

Fair presentation is presumed to result if the IFRS for SMEs is followed. An entity should state compliance with IFRS for SMEs only if the financial statements comply in full. IFRS for SMEs presumes the reporting entity is a going concern. SMEs shall present a complete set of financial statements at least annually with at least one year comparative prior period financial statements and not data.

Presentation and classification of items should be consistent from one period to the next.

Section 4 is on Statement of Financial Position (IAS 1)

An entity can use the word 'balance sheet'. Current/non-current split is not required if the entity concludes that a liquidity approach provides more relevant information.

Section 5 deals with Statement of Comprehensive Income and Income Statement (IAS 1)

An income statement and a statement of comprehensive income must segregate discontinued operations. Must present 'profit or loss' subtotal if the entity has any items of other comprehensive income. Bottom line ('profit or loss' in the income statement and 'total comprehensive income' in the statement of comprehensive income) is presented before allocating those amounts to non-controlling interest and owners of the parent.

No item may be labeled 'extraordinary' but unusual items can be separately presented; Expenses may be presented by nature (depreciation, purchases of materials, transport cost, employee benefits, etc.) or by function (cost of sales, distribution costs, administrative costs, etc.) either on face of the statement of comprehensive income (or income statement) or in the notes.

Single statement of comprehensive income:

- ★ Revenue
- ★ Expenses, showing separately:
 - Finance costs;
 - Profit or loss from associates and jointly controlled entities;
 - Tax expenses; and
 - Discontinued operations.
- ★ Profit or loss (may omit if no OCI):
 - i) Items of other comprehensive income;
 - ii) Total comprehensive income (may label profit or loss if no OCI).

Section 6 is on Statement of Changes in Equity and Statement of Comprehensive (IAS 1)

Income and Retained Earnings should show all changes to equity including total comprehensive income, owners' investments, dividends, owners' withdrawals of capital and treasury share transactions.

Section 7 is on Statement of Cash Flows (IAS 7)

- a. Presents information about an entity's changes in cash and cash equivalents for a period;
- b. Cash equivalents are short-term, highly liquid investments (expected to be converted to cash in three

- months) held to meet short-term cash needs rather than for investment or other purposes;
- c. Cash flows are classified as operating, investing and financing cash flows;
- d. Option to use the indirect method or the direct method to present operating cash flows;
- e. Interest paid and interest and dividends received can be classified as operating, investing, or financing;
- f. Dividends paid may be operating or investing;
- g. Income tax cash flows are operating unless specifically identified with investing or financing activities;
- h. Separate disclosure is required for some non-cash investing and financing transactions (for example, acquisition of assets by issue of debt); and
- i. Reconciliation of components of cash.

Section 8 is on Notes to the Financial Statements (IAS 1) which are normally in this sequence:

Basis of preparation (i.e. IFRS for SMEs); Summary of significant accounting policies, including Information about judgements and Information about key sources of estimation of uncertainty; Supporting information for items in financial statements; and Other disclosures.

Section 9 deals with Consolidated and Separate Financial Statements (IFRS 10)

Consolidated financial statements are required when a parent company controls another entity. Control is:

- ▶ Power to govern financial and operating policies to obtain benefits;
- ▶ More than 50% of voting Power.

However, consolidated financial statements are not required, even if a parent-subsidiary relationship exists if:

- ▶ Subsidiary was acquired with intent to dispose within one year;
- ▶ Parent itself is a subsidiary and its parent or ultimate parent uses IFRSs or IFRS for SMEs.

Consolidation Procedures:

- i) Eliminate intra-company transactions and balances;
- ii) Uniform reporting date unless impracticable;
- iii) Uniform accounting policies;
- iv) Non-controlling interest is presented as part of equity;
- v) Losses are allocated to a subsidiary even if non-controlling interest goes negative.

Section 10 is on Accounting Policies, Estimates and Errors (IAS 8)

If the IFRS for SMEs addresses an issue, then the entity must follow the IFRS for SMEs. However, if the IFRS for SMEs does not address an issue then the entity should:

- a) Choose policy that results in the most relevant and reliable information;
- b) Try to analogise from standards in the IFRS for SMEs;
- c) Or use the concepts and pervasive principles in Section 2;
- d) Entity may look into guidance in full IFRSs (but not

required).

Change in accounting policy, if mandated, follow the transition guidance as mandated; if voluntary, retrospective application while change in accounting estimate: prospective application. Correction of prior period error: restate prior periods if practicable.

Section 11 deals with Basic Financial Instruments

IFRS for SMEs has two sections on financial instruments:

- Section 11 on Basic Financial Instruments.
- Section 12 on Other Financial Instruments (FI) Transactions.

There is an option to follow IAS 39 instead of sections 11 and 12. Even if IAS 39 is followed, make section 11 and 12 disclosures (not IFRS 7 disclosures).

Essentially, Section 11 is based on an amortised historical cost model except for equity investments with quoted price or readily determinable fair value. These are measured at fair value through profit or loss.

The scope of Section 11 Basic Financial Instruments include:

- a) Demand and fixed deposits;
- b) Commercial paper and bills;
- c) Accounts and notes receivable and payable;
- d) Debt instruments where returns to the holder are fixed or referenced to an observable rate;
- e) Investments in non-convertible and non-puttable ordinary and preference shares; and
- f) Most commitments to receive a loan.

Section 12 deals with Additional Financial Instruments Issues (IFRS 7, 9, IAS 32, 39)

Financial instruments not covered by Section 11 (and, therefore, are within Section 12) are measured at fair value through profit or loss. These include:

- a. Investments in convertible and puttable ordinary and preference shares;
- b. Options, forwards, swaps, and other derivatives;
- c. Financial assets that would otherwise be in Section 11 but have 'exotic' provisions that could cause gain/loss to the holder or issuer.

Hedge accounting involves matching the gains and losses on a hedging instrument and hedged item. It is allowed only for the following risks:

- a) Interest rate risk of a debt instrument measured at amortised cost;
- b) Foreign exchange on interest rate risk in a firm commitment or a highly probable forecast transaction;
- c) Price risk of a commodity that it holds or in a firm commitment or highly probable forecast transaction to purchase or sell a commodity; and
- d) Foreign exchange risk in a net investment in a foreign operation.

Section 13 is on Inventories (IAS 2)

Inventories include assets for sale in the ordinary course of business being produced for sale, or to be consumed in production. They are measured at the lower cost and estimated selling price less costs to complete and sell.

Cost is determined using:

- a) Specific identification required for large items;
- b) Option to choose FIFO or weighted average for others; and
- c) LIFO is not permitted.

Inventory cost includes costs to purchase, costs of conversion, and costs to bring the asset to present location and condition. Inventory costs exclude abnormal waste and storage, administrative, and selling costs. If a production process creates joint products and/or by-products, the costs are allocated on a consistent and rational basis. A manufacturer allocates fixed production overheads to inventories based on normal capacity.

Standard costing, retail method, and most recent purchase price may be used only if the result approximates actual cost. Impairment – write down to net realisable value (selling price less costs to complete and sell).

Section 14 deals with Investments in Associates (IAS 28)

Associates are investments where significant influence exists. Significant influence is defined as the power to participate in the financial and operating policy decisions of the associate but where there is neither control nor joint control over those policies. Presumption that significant influence exists if investor owns 20% or more of the voting shares.

Section 15 is on Investments in Joint Ventures (IAS 31, IFRS 11)

For investments in jointly controlled entities, there is an option for the venture to use:

- a. Cost model (except if there is a published quotation – then must use fair value through profit or loss);
- b. Equity method;
- c. Fair value through profit prohibited.

For jointly controlled operations, the venture should recognise assets that has controls and liabilities; it incurs as well as its share of income earned and expenses that are incurred.

Section 16 deals with Investment Property (IAS 40)

Investment property is investments in land, buildings (or part of a building), and some property interests in finance leases held to earn rentals or for capital appreciation or both.

Property interests that are held under an operating lease may be classified as an investment property provided the property would otherwise have met the definition of an investment property.

Mixed used property must be separated between investment and operating property. If fair value can be measured reliably without undue cost or effort, use the fair value through profit or loss model. Otherwise, an entity must treat investment property as property, plant and equipment.

Section 17 is on Property, Plant and Equipment (IAS 16)

Historical cost-depreciation-impairment model only. The revaluation model (as in IAS 16) is not permitted. Section 17 applies to most investment property as well (but if fair value of investment property can be measured reliably without undue cost or effort then the fair value model is applied. Section 17

applies to property held for sale – there is no special section on assets held for sale. Holding for sale is an indicator of possible impairment. Measurement is initially at cost, including costs to get the property ready for its intended use. Subsequent to acquisition, the entity uses the cost-depreciation-impairment model, which recognises depreciation and impairment of the carrying amount. The carrying amount of an asset, less estimated residual value, is depreciated over the asset's anticipated useful life. The method of depreciation shall be the method that best reflects the consumption of the asset's benefits over its life. Separate significant components should be depreciated separately.

Section 18 is on Intangible Asset other than Goodwill (IAS 38)

No recognition of internally generated intangible assets. Therefore:

- a) Charge all research and development costs to expense.
- b) Charge the following items to expenses when incurred:
 - i) Cost of Internally generated brands, logos, and masthead;
 - ii) Start-up costs;
 - iii) Training costs;
 - iv) Advertising; and
 - v) Relocating of a division or entity.
- c) Amortisation model for intangibles that are purchased separately, acquired in a business combination, acquired by grant, and acquired by exchange of other assets.
- d) Amortise over useful life. If the entity is unable to estimate useful life, then use 10 years.
- e) Review useful life, residual value, depreciation rate only if there is a significant change in the asset or how it is used. Any adjustment is a change in estimate.
- f) Impairment testing – follow Section 27.
- g) Any revaluation of intangible assets is prohibited.

Section 19 is on Business Combinations and Goodwill (IFRS 3)

This Section does not apply to combination of entities under common control. Acquisition (purchase) method. Under this method:

- a. An acquirer must always be identified.
- b. The cost of the business combination is measured. Cost is the fair value of assets given, liabilities incurred or assumed, and equity instruments issued, plus costs directly attributed to the combination.
- c. At the acquisition date, the cost is allocated to the assets acquired and liabilities and provisions for contingent liabilities assumed are measured at their fair values. Any difference between cost and amounts allocated to identifiable assets and liabilities (including provisions) is recognised as goodwill or 'negative goodwill'.

All goodwill must be amortised.

Section 20 deals with Leases (IAS 17)

Scope includes arrangements that contain a lease (IFRIC 4). Leases are classified as either finance leases or operating leases.

Finance leases result in substantially all the risks and rewards incidental to ownership being transferred between the parties, while operating leases do not. Substantially all risks and rewards of ownership are presumed transferred if:

- a. The lessor transfers ownership of the asset to the lessee by the end of the lease term;
- b. The lessee has a 'bargain purchase option';
- c. The lease term is for the major part of the economic life of the asset, even if title is not transferred;
- d. At the inception of the lease the present value of the minimum lease payments amounts, at least substantially, to the fair value of the leased asset;
- e. The leased assets are of such a specialised nature that only the lessee can use them without major modifications;
- f. The lessee bears the lessor's losses if cancelled;
- g. A secondary rental period at below market rates;
- h. The residual value risk is borne by the lessee.

Section 21 is on Provision and Contingencies (IAS 37)

Provisions are recognised only when:

- (a) There is a present obligation as a result of a past event;
- (b) It is probable that the entity will be required to transfer economic benefits; and
- (c) The amount can be estimated reliably.

The obligation may arise due to contract or law or when there is a constructive obligation due to valid expectations having been created from past events. However, these do not include any future actions that may create an expectation. Nor can expected future losses be recognised as provisions.

Initially recognised at the best possible estimate at the reporting date. This value should take into account any time value of money, if this is considered material. When all or part of a provision may be reimbursed by a third party, the reimbursement is to be recognised separately only when it is virtually certain that payment will be received.

Subsequently, provisions are to be reviewed at each reporting date and adjusted to meet the best current estimate. Any adjustments are recognised in profit and loss while any unwinding of discounts to be treated as finance cost.

Provisions accrue for Onerous contracts; Warranties; Restructuring if legal or constructive obligation to restructure; and Sales refunds;

Provisions may not accrue for Future operating losses, no matter how probable and Possible future restructuring (plan but not yet a legal or constructive obligation).

Contingent Liabilities are not recognised as liabilities unless remote, disclose an estimate of the financial effect, indications of the uncertainties relating to timing or amount, and the possibility of reimbursement.

Contingent Assets are not recognised as assets; Disclose a description of the nature and the financial effect.

Section 22 deals with Liabilities and Equity (IAS 1, 39)

An instrument is a liability if the issuer could be required to pay cash. Puttable financial instruments are only recognised as equity if it has all the following features:

- ★ The holder is entitled to a pro rata share of entity's net

assets in the event of liquidation;

- ★ The instrument is the most subordinate class;
- ★ All financial instruments in the most subordinate class have identical features;
- ★ Apart from the puttable features the instrument includes no other financial instrument features;
- ★ The total expected cash flows attributable of the instrument over the life of the instrument are based substantially on the change in the value of the entity.

Member's shares in co-operative entities and similar instruments are only classified as equity if the entity has an unconditional right to refuse redemption of the members' shares or the redemption is unconditionally prohibited by local law, regulation or the entity's governing charter. If the entity could not refuse redemption, the members' shares are classified as liabilities.

Section 22 Covers some Materials not Covered by full IFRSs, including:

- ★ Original issuance of shares and other equity instruments.
- ★ Shares are only recognised as equity when another party is obliged to provide cash or other resources in exchange for the instruments. The instruments are measured at the fair value, cash or resources received, not of direct costs of issuing the equity instruments, unless the time value of money is significant in which cases initial measurement is at the present value amount.
- ★ When shares are issued before the cash or other resources are received, the amount receivable is presented as an offset to equity in the statement of financial position and not as an asset.
- ★ Any shares subscribed for which no cash is received are not recognised as equity before the shares are issued.

Section 23 is on Revenue (IAS 18)

Revenue results from the sale of goods, services being rendered, construction contracts income by the contractor and the use by others of entities assets. Some types of revenue are excluded from this section because they are covered in the other sections, including Leases (section 20), Dividends from equity accounted for according to income from Associates and Joint Ventures (section 14 and 15), Changes in fair value of subsequent measurement of biological assets (section 34 special activities) and Initial recognition of agricultural produce (section 34 special activities):

- Principle for measurement of revenue is the fair value of the consideration received or receivable, taking into account any possible trade discounts or rebates, including volume rebates and prompt settlement discounts.
- If payment is deferred beyond normal payment terms, there is a financing component to the transaction. In that case, revenue is measured at the present value of all future receipts. The difference is recognised as interest revenue.

A) Recognition of Sales of Goods:

An entity shall recognise revenue sale of goods when all the

following conditions are satisfied:

- (a) The entity has transferred to the buyer the significant risk and rewards of ownership of the goods;
- (b) The entity restrains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (c) The amount of revenue can be measured reliably;
- (d) It is probable that the economic benefits associated with the transaction will flow to the entity;
- (e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

B) Recognition of Sale of Services:

Use the percentage of completion method if the outcome of the transaction can be estimated reliably. Otherwise use the Cost-Recovery Method.

C) Recognition of Construction Contracts:

Use the percentage of completion method if the outcome of the contract can be estimated reliably. Otherwise use the Cost-Recovery Method.

D) Recognition of Interest:

Interest shall be recognised on an accrual basis in accordance with the substance of the relevant agreement.

E) Recognition of Dividends:

Shall be recognised when the shareholder's right to receive payment is established.

Section 24 is on Government Grants (IAS 20)

This section does not apply to grants in the form of income tax benefits. All grants are measured at the fair value of the asset received or receivable. Recognition as income:

- ★ Grants without future performance conditions are recognised in profit or loss when proceeds are receivable;
- ★ If there are performance conditions, the grant is recognised in profit or loss only when the conditions are met.

Section 25 is on Borrowing Costs (IAS 23)

- Borrowing cost are interest and other costs arising on an entity's financial liabilities and finance lease obligations.
- All borrowing cost are charged to expense when incurred – none is capitalised.

Section 26 deals with Shares-Based Payment (IFRS 2)

All share-based payment must be recognised.

For Equity – Settled: All transaction with others, than employees are recorded at the fair value of the goods and services received, if these can be estimated reliably. All transactions with employees or where the fair value of goods and services received cannot be reliably measured are measured with reference to the fair value of the equity instruments granted.

For Cash – Settled: Liability is measured at fair value on grant date and at each reporting date settlement date or, with each adjustment through profit or loss. For employees where shares

only vest after a specific period of service has been completed, recognise the expense as the service is rendered.

For Share-based payment with cash alternatives: Account for all such transactions as cash settled, unless the entity has a past practice of settling by issuing equity instruments or the option has no commercial substance because the cash settlement amount bears no relationship to and is likely to be lower in value than, the fair value of the equity instrument.

For fair value of equity instruments granted:

- (a) Observable market price if available;
- (b) If no observable price, use entity-specific market data such as a recent share transaction or valuation of entity.

If (a) and (b) are impracticable, directors must use their judgement to estimate fair value.

Section 27 deals on Impairment of Assets (IAS 36)

For impairment of Inventories – write down, in profit or loss, to lower of cost and selling price less costs to complete and sell, if below carry amount. When the circumstances that led to the impairment no longer exist, the impairment is reversed through profit or loss. For other assets – write down, in profit or loss, to recoverable amount, if below carrying amount.

When the circumstances that led to the impairment no longer exist, the impairment is reversed through profit or loss. Recoverable amount is the greater of fair value less costs to sell and value in use. If recoverable amount of an individual asset cannot be determined, measure recoverable amount of that assets cash generating unit.

If an impairment indicator exists, the entity should review the useful life and the depreciation methods even though impairment may not be recognised. Simplified guidance on computing impairment of goodwill when goodwill cannot be allocated to cash generating units

Section 28 is on Employee Benefits (IAS 19)

Short-term benefits are measured at an undiscounted rate and recognised as the services are rendered. Other cost such as annual leave are recognised as a liability as services are rendered and expensed when the leave is taken or used. Bonus payments are only recognised when an obligation exists and the amount can be reliably estimated.

Post-Employment Benefits – Defined Contribution Plans, contributions are recognised as a liability or an expense when the contributions are made or due. For Post-Employment Benefits – Defined benefit plans, recognise as a liability based on the net of present value of defined benefit obligations less the fair value of any plan assets at balance sheet date.

For group plans, consolidated amount may be allocated to parent and subsidiaries on a reasonable basis.

Actuarial gains and losses may be recognised immediately in profit or loss or as an item of other comprehensive income but no deferral of actuarial gain or losses, including no corridor approach and all past service cost is recognised immediately in profit or loss

For Term Benefits the entity shall recognise a liability at the present value of the benefit obligation less any fair value of plan assets while Termination benefits are recognised in profit and loss account immediately as there are no future economic

benefits to the entity.

Section 29 is on Income Tax (IAS 12)

This Section requires a temporary difference approach, similar to IAS 12. Recognise a current tax liability if the current tax payable exceeds the current tax paid at that point in time. Recognise current tax assets when current tax paid exceeds current tax payable or the current tax in the current year. Current tax assets and liabilities for current and prior periods are measured at the actual amount that is owed or the entity owes using the applicable tax rates enacted or substantively enacted at the reporting date. The measurement must include the effect of the possible outcomes of a review by the tax authorities.

Deferred tax if an assets or liability is expected to affect taxable profit if it recovered or settled from its carrying amount, then a deferred tax asset or liability is recognised. If the entity expects to recover an asset through sale, and capital gains tax is zero, then no deferred tax is recognised, because recovery is not expected to affect taxable profit. Temporary difference arises if tax basis of such assets or liabilities is different from carrying amount. Tax basis assumes recovery by sales. Exception: No deferred tax on unremitted earnings of foreign subsidiaries and jointly controlled entities.

Recognise deferred tax assets in full, with a valuation allowance. Criterion is that realisation is probable (more likely than not).

Deferred taxes are all presented as non-current. Recognition of changes in current or deferred tax must be allocated to the related components of profit or loss account, other comprehensive income and equity.

Section 30 is on Foreign Currency Translation (IAS 21)

Functional currency approach similar to that in IAS 21. An entity's functional currency is the currency of the primary economic environment in which it operates. It is a matter of fact, not an accounting policy choice. A change in functional currency is applied prospectively from the date of the change.

An entity may present its financial statements in a currency different from its functional currency (a presentation currency) if the entity's functional currency conversion into presentation currency is done as follows:

- ★ Assets and liabilities for each statement of financial position Income and expenses are translated at exchange rates at the dates of the transactions;
- ★ All resulting exchange differences are recognised in other comprehensive income.

Section 31 is on Hyperinflation (IAS 29)

- ★ An entity must prepare general price-level adjusted financial statements when its functional currency is hyperinflationary but not an absolute rate. One indicator is where cumulative inflation approached or exceeds 100% over a 3-year period.
- ★ In price-level adjusted financial statements, all amounts are stated in terms of the (hyperinflationary) presentation currency at the end of the reporting period. Comparative information and any information presented in respect of earlier periods must also be

restated in the presentation currency.

- ★ All assets and liabilities not recorded at the presentation currency at the end of the reporting period must be restated by applying the general price index (generally an index published by the government)
- ★ All amounts in the statement of comprehensive income and statement of cash flows must also be recorded at the presentation currency at the end of the reporting period. These amounts are restated by applying the general price index from the dates when they were recorded.
- ★ The gains and losses on translating the net monetary position is included in profit or loss. However, that gain or loss adjusted for those assets and liabilities linked by agreement to changes in prices.

Section 32 is on Events after the End of the Reporting Period (IAS 10)

The Section states that adjust financial statements to reflect adjusting events. Events after the balance sheet date that provide further evidence of Conditions that existed at the end of the reporting period. Non-adjusting events, Events or conditions that arose after the end of the reporting period, should not be adjusted. For these, the entity must disclose the nature of event and an estimate of its finance effects. If any entity declares dividends after the reporting period, the entity shall not recognise those dividends as a liability at the end of the reporting period.

Section 33 deals with Related Party Disclosures (IAS 24)

- ★ Disclose parent-subsidiary relationships, including the name of the parent and (If any) the ultimate controlling party.
- ★ Disclose key management personnel compensation in total key management Compensation includes salaries, short-term benefits, post-employment benefits, other long-term benefits, termination benefits and share-based payments. Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include executive and non-executive directors.
- ★ Government departments and agencies are not related parties simply by virtue of their normal dealings with an entity.

Section 34 is on Specialised Activities Agriculture: (IAS 41)

- If the fair value of a class of biological asset is readily determinable without undue cost or effort, use the fair value through profit or loss model.
- If the fair value is not readily determinable or determinable only with undue costs or efforts, measure the biological assets at cost less an accumulated depreciation and impairment.
- At harvest, agricultural produce is to be measured at fair value less estimated costs to sell. Thereafter it is accounted for an inventory.

Extractive Industries: (IFRS 6)

- Not required to charge exploration costs to expense, but

must test for impairment. That is exploration may be capitalised.

- Expenditure on tangible or intangible assets used in extractive activities is accounted for under Section 17 – Poverty, Plant and Equipment and Section 18 – Intangible Assets other than Goodwill

Service Concession Arrangements:

- Guidance is provided on how the operator accounts for services concession arrangement.
- The operator either recognises a financial asset or an intangible asset depending on whether the grantor (government) has provided an unconditional guarantee of payment or not.
- A financial asset is recognised to the extent that the operator has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services.
- An intangible asset is recognised to the extent that the operator receives a right or license to charge users for the public service.

Section 35 is on Transition to the IFRS for SMES

First-time adoption is the first set of financial statements in which the entity makes an explicit and unreserved statement of compliance with the IFRS for SMEs, in conformity with the International Financial Reporting Standards for Small and Medium sized Entities.

4. CONCLUSION

The role of small and medium entities in any economy cannot be over-emphasised. These entities have some characteristics that make them unique. They also have some limitation which the large entities do not have, therefore, they deserve to be given special and unique reporting standard hence the IFRS for SMEs. The Companies and Allied Matters Act provides for modified financial statements in a bid to encourage small entities. The IFRS for SMEs has further bridged the gap in financial reporting between the large and small entities. Notwithstanding their size, the SMEs can still deliver qualitative financial reports. The paper tried to link the relevant sections with the number of full International Financial Reporting Standard that was adapted in IFRS for SMEs.

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★ Dr. Okezie is a Lecturer in the Department of Accountancy, Federal Polytechnic, Nekede, Imo State.

INSTRUCTIONS TO AUTHORS

Authors wishing to have their articles published in *The Nigerian Accountant* and *ICAN Students' Journal* are advised to adopt the following guidelines:

1. Articles must be well researched on contemporary issues in the field of: **Accounting; Audit; Investigations; Forensic Accounting; Taxation and Fiscal Policy Management; Consultancy; Information Communication Technology; Insolvency and Corporate Re-engineering; Public Finance; Corporate Finance; Banking; Insurance; Manufacturing; Capital Market.**

Articles from other disciplines e.g. **Health/Medicine; Agriculture; Engineering; Education; Religion; Fashion; Construction; Oil and Gas;** etc, are welcome.

Opinion articles would also be accommodated.

2. All articles should be typed on standard A4 paper and must not exceed twenty pages in 12-point Times 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).

4. The second page should include the title and an abstract of not more than 150 words.

5. The research paper must be properly referenced. The American Psychological Association style should be used in the following format:

- a) In-text referencing: Author's name and year of work e.g. **Lucey (1997)** or **(Lucey, 1997)** at the end of sentence. Page numbers must be included for direct quotations e.g. **(Lucey, 1997, p.8)**.

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

Book Reference

Lucey, T. (1997), *Management Information Systems* (8th 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.

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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, dmuyiwa@ican.org.ng and aoolowolabi@ican.org.ng



Non-Oil Exports: *Way Out of Forex Challenge*

| By GODWIN CHIGOZIE OKPARA

I commend ICAN for its continuous efforts in stimulating insights on topical issues that burden with positive transformation of our economy. This paper is structured into five sections namely, Nigerian economy and non-oil exports in retrospect; the dominance of oil in Nigeria; the oil woes and why we are here; how the economy fares and permanent ways out of the woes to increase our foreign exchange earnings' base for sustainable development.

Nigerian Economy and Non-Oil Exports in Retrospect

It is a known fact that most of the contributions made by the non-oil sector come from agriculture. Prior to the oil boom of the 1970's, the 1950's and 1960's experiences were still

reminiscent of the abundant harvest of agricultural produce in Nigeria. During this period, agriculture was the mainstay of the Nigerian economy. The contribution of agriculture to gross domestic product was 67.5% in 1950 and 65.9% between 1958 and 1959 (Teriba, Edoziem and Kayode, 1981). In 1960's, agriculture geared up with a high percentage point and on the average constituted about 75% of the country's gross domestic product between 1960 and 1968 followed by mining and quarrying. In terms of employment, it was estimated that about 70% of the country's population depended on agriculture for their livelihood (Semowo, 1979). The oil boom of 1970's led to the deceleration of the pace of agricultural growth in Nigeria. Between 1970 and 1973 the average contribution of agriculture

to the gross domestic product unimaginably reduced to 36.8% and drastically reduced further to 16.9% between 1973 and 1980. According to Abogan, Akinlo and Baruwa (2014), within 1981 and 1985, the period before the introduction of SAP in Nigeria, there was a negative growth rate in agricultural export.

Before the dominance of oil, the economy of Nigeria was dominated by agricultural commodity exports. The country was exporting such agricultural products as palm produce, cocoa, groundnut, rubber, cotton and others. The solid minerals such as tin ore, iron, cobalt, coal, colombite, etc were also exported. During this period, Nigeria had 19 million heads of cattle which was the largest in Africa (Kemi, 2016).

The share of agriculture in the total value of exports has presently been very small. In 1962, agricultural products accounted for 70% of the total value of exports while accounting for 78% in 1964 (Teriba, Edoziem, and Kayode). During this period, Nigeria was seen to be the world’s second largest producer of cocoa beans and was also ranked second to Malaysia among the major palm oil exporting countries in the world (Semowo, 1979). With the discovery of oil in a larger quantity and the oil boom of 1970’s, agricultural production faced discouragement and grossly declined. The decline in the production of cash crops got to a point where some of such crops like groundnut, palm oil and other agricultural extractions had to be imported

to satisfy the domestic demand of a nation that has developed high marginal propensity to consume of the foreign made goods owing to oil boom euphoria.

Under this circumstance, agriculture was given paltry attention in Nigeria and can only be remembered when high volatility in the oil market imposes an unbearable shock. A look at the sectoral changes in Africa’s fast growing countries shows that changes in the share of agriculture to GDP and that of mining to GDP in Nigeria assume high negative values as repercussion effect to neglect and reckless abandonment of this sector that fed the country for decades. Changes in agriculture, forestry, fishing and hunting to GDP averaged -16.1 percent while changes in the share of mining and quarrying amounted to -17.1 percent. Thus, Nigeria recorded the poorest percentage change in this area of non-oil extractions for the selected countries with average annual Real GDP of above 5% growth during this period. For the selected countries comparison, Nigeria is relatively best in terms of services and manufacturing however, one may not be mistaken saying that the country has not well arrived to a considerable standard for tradable goods and services as to attract the desired foreign exchange.

Sierra Leon recorded an average of 17.2 percent change in Mining and Quarrying, including Oil and Gas extraction to become highest in this area with almost negative values in others. Ghana

Table 1.1:
Sectoral Changes in Africa’s Fast Growing Countries 2009-2014
(Changes of Shares in GDP in %)

Country	Agric; Forestry, Fishing and Hunting	Mining and Quarrying +Oil and Gas Extraction	Manufacturing	Construction	Electricity, Gas and Water	Services
Burkina Faso	-0.7	5.4	-3.6	4.2	0.3	-5
Congo	0.1	-3.6	0.1	1.8	0.1	1.5
Democratic Rep. of Congo	-1.9	0.4	-1.5	0.5	0	2.5
Ethiopian	-10.2	0.6	0.3	4.1	-0.4	5.6
Ghana	-12.2	7.4	-1	3.7	-0.1	2.2
Kenya	3.3	0.2	-1.7	0.6	-0.3	-2.1
Malawi	-5.3	0.2	-2.1	1.9	-0.1	5.4
Mozambique	-2.2	2	-1.8	0.5	-0.1	1.6
Niger	-1.6	3.3	1	0	-0.1	-2.6
Nigeria	-16.1	-17.1	6.5	1.9	0.4	24.4
Rwanda	-1.2	1.1	-0.5	1.5	0.1	-1
Sierra Leon	-8.2	17.2	-0.6	-0.5	0.1	-8
Tanzania	1.5	1.6	0	2.1	-0.5	-4.7
Uganda	-2.5	-0.5	1.5	2.1	-0.4	-0.2
Zambia	-2.9	-2.3	-1.2	3.4	0.1	2.9

Note: Selected countries with average annual Real GDP of above 5% growth during this period.
Source: African Economic Outlook 2016.

Table 1.2:
The Share of OPEC Oil Reserves by Country, 2015

Venezuela	Saudi Arabia	Iran	Iraq	Kuwait	UAE	Libya	Nigeria	Qatar	Algeria	Angola	Ecuador
24.90%	22.10%	13.1%	11.90%	8.40%	8.10%	4.0%	3.1%	2.10%	1.0%	0.70 %	0.70%

Source: OPEC

made the second position with a percentage value of 7.2 and Burkina Faso recorded 5.4 percent to take third position while excelling as the best in the area of construction with 4.2 average change (See Table 1.1).

Thus, Table 1.1 with facts and figures, substantiated the assertion of total neglect in the development of non-oil sector especially in agriculture and mining and quarrying whose negative percentage changes of their share of GDP in Nigeria are very high. By this analysis, this neglect is not only peculiar to Nigeria but also to the rest of the selected African countries.

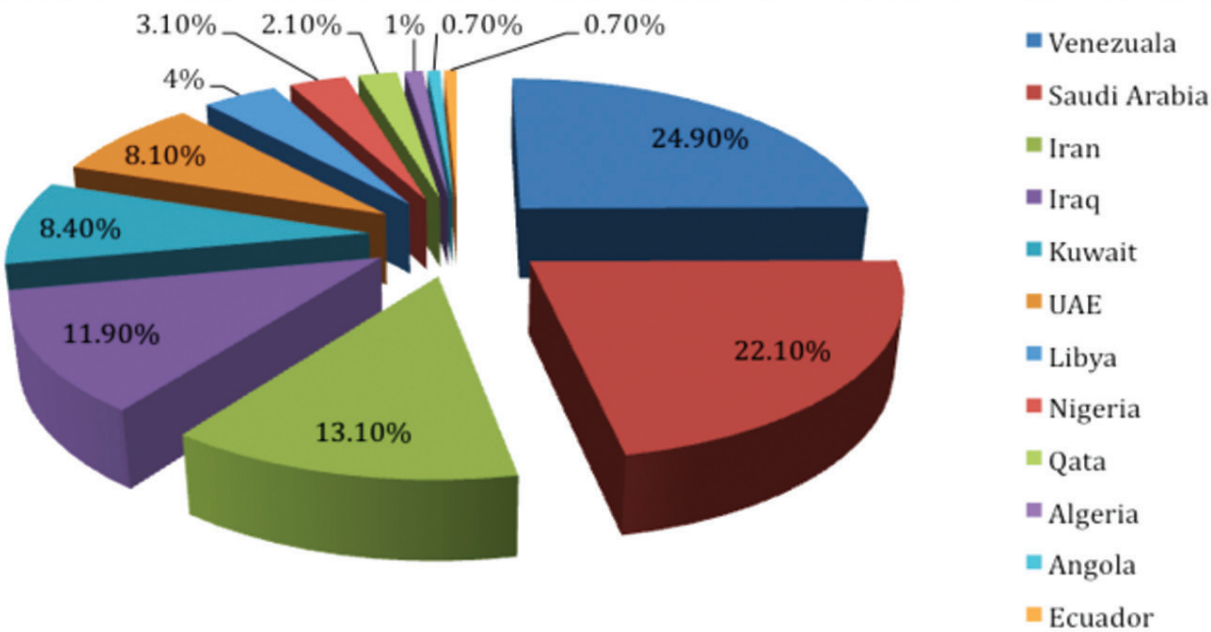
2.0 The Dominance of Oil in Nigeria

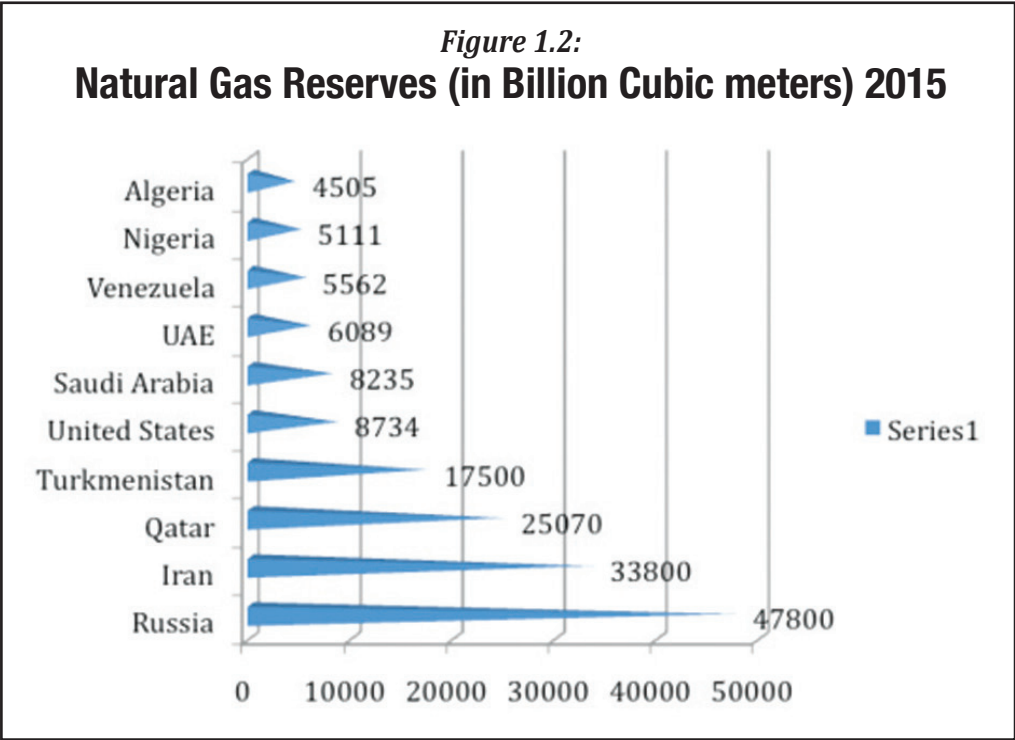
The primary productive base of Nigeria are made up of Agricultural production, crude oil and other hydrocarbons and the bases put together accounts for more than 90 percent of foreign exchange earnings. The growth of the Nigerian economy is primarily driven by the oil sector which accounts for more than 30 per cent of gross domestic product and more than 85 per cent of all exports each year (Igberaese, 2013) to the extent that the volatility of this sector greatly affects the Nigerian

government revenue. From the mid 1970s, crude oil became the major export product of the Nigerian economy and invariably placed the economy to a mono-cultural one that brought Dutch disease to the Nation.

In the 1970s, the share of oil revenue to the total federally collected revenue was 73.5 percent while none oil contributed the remaining 26.5 percent. In the 1980s oil revenue contributed an average of about 72 percent of the totally generated revenue and none oil sector occupied the share of 28 percent. From 1990 to 1998, the average contribution of oil revenue to the total federally collected revenue was 72.6 percent while none oil has a share of 27.4 percent (Okpara, 2000). Okonkwo (2004) contended that petroleum is the most dominant source of commercial energy in Nigeria and maintained that revenue from petroleum accounts for over 75 percent of national annual income. In 1990, petroleum alone accounted for over 90 percent of exports, 80 percent total government revenue and about 30 percent contributions to GDP (Okpara, 2000). Thus, till today, oil and gas remain the mainstay of the Nigerian economy and as such under the whims and caprices (dictates) of the volatility of

Figure 1.1:
The Share of OPEC Oil Reserves by Country, 2015





oil prices in the international market. Revenue and taxes accrued there-from have been used for capital as well as recurrent expenditures.

It is worth noting that Nigeria has the world’s ninth largest natural gas reserves accounting for more than 30 percent of Africa’s discovered gas reserves – a position it has held for the last five years. It is also ranked eighth in OPEC’s share of oil reserves in 2015 (The Power Sector in Nigeria, 2016). Table 1.2 and pie chart below shows Nigeria’s position in the share of oil.

Table 1.2 shows that Venezuela and Saudi Arabia have the highest percentage share of OPEC oil reserve, while Angola and Ecuador have the lowest. Libya occupies the 7th position while Nigeria as said earlier holds the eight position. The share of OPEC oil reserve is further illustrated in the pie chart in **Figure 1.1**.

Apart from ranking the eighth position in OPEC’s share of oil reserves in 2015, In terms of natural gas, Nigeria holds about 5,111 billion cubic meters to have the world’s ninth largest natural gas reserves. Nigeria’s position in the world natural gas reserves can be illustrated in bar chart in **Figure 1.2**.

However, Nigeria’s position in the share of oil does not prevent the precarious conditions inherent in oil price volatility. The revenue of a country that depends solely on oil is a function of the volatility of the prices of oil. The country’s total revenue has been unsteady owing to unpredictability of oil prices and hence revenue. In such a mono-cultural economy, this can be referred to as **oil theory of revenue**, implying that oil prices dominate all other factors determining Nigeria’s total revenue that is a base for growth and development.

From the analysis however, it can be seen that the crashing oil price in the global market must have invariably affected other nations like Saudi Arabia, Iran and Libya especially as was majorly aggravated by middle east unrest and wars and not

necessarily particular to Nigeria. The degree of impact on any of the nations will depend on the level of her diversification of her revenue base.

3.0 The Nigerian Oil Woes:
Why We are Here

Since the dominance of oil as the major revenue base in Nigeria, the performance of the economy has been depending on the fluctuations of the prices of oil. For instance, the global financial crisis that witnessed dwindling fortunes in the capital market and virtually all facets of the economy in May 2008, saw the capital market rebounded strongly when there was a resurgence in crude oil prices in the international market from an average of \$35 to \$40 to about \$69. Precisely in May 2009, when oil prices reached a new high of \$70 per barrel (before slipping down), the Nigerian stock market

improved by making a 38.3 percent gain (Igbomwenghian, 2009) and other parts of the economy also showed appreciable relief. This and other experiences show a strong relationship between crude oil prices and the performance of Nigerian economy. The decline in oil prices in June 2014, after five years of oil windfall in Nigeria has laid bare structural weaknesses plaguing the economy. Added to the fall in oil prices as a blow to the oil exporting nations was the reduction in the number of barrels of oil imported by America from the oil market.

Shuaib (2012) noted that Nigeria over-dependence on oil revenue for sustenance is not only unbecoming but disappointing as other oil-based resource nations have successfully utilised their earnings to broaden the base of other sectors like development of commerce, hospitality and tourism industries, as is the case with some Arab countries. Nigeria should realise that the oil resources, as a commodity, is exhaustible, non-renewable and worst still, easily prone to the effects of international market forces and should not neglect the vision of resource diversification for sustainable development.

Table 1.3 displays a clear picture of non-oil neglect in foreign exchange earnings in Nigeria since 1981. The contribution of non-oil export as a percentage of total export is highest in 1988 with a meager percentage value of 8.84 while it made its poorest contribution in the year 2000 with a very meager value of 1.28 percent. On the average, the percentage of non-oil export to total export between 1981 and 1989 was 4.9, between 1990 and 1999 it was 2.6 percent, 2.5 percent between 2000 and 2009 while it increased to 6.3 percent between 2010 and 2015 owing probably to enormous awareness created about the oil woes and the inherent economic menace.

Also the contribution of agriculture to GDP dropped considerably from what it used to be during the early days it

served as the foreign exchange earner and the master key to the growth of the economy. From 1981 to 1989, agricultural contribution to gross domestic product (GDP) at basic current price was 17.4 percent on the average, it increased to 25.3 percent between 1990 to 1999, in 2000 to 2009 period, it rose further to 27.8 percent while dropping to 12.9 percent between 2010 to 2015. Precisely, agriculture made its highest contribution to GDP of 37.5 percent (since 1980) in the year 2002 while making the lowest percentage contribution of 11.8 in 1981.

The worst hit is the solid mineral which had been virtually ignored notwithstanding that if well developed and tapped, it would be another oil well. During this period of review, solid mineral contributed a maximum of 4.9% to GDP at current basic price in 1981, a minimum of 0.08% in 2003 and by 2015 it came to 0.12% which is too small to reckon with for a country that has abundance of solid mineral resources.

Added to this observation, Shuaib (2012) still noted that political leaders in the South use ‘resources control’ and

Table 1.3:
Non-Oil Export as Percentage of Total Exports and GDP in Nigeria

Year	Total Exports (NB)	Oil Exports (NB)	Oil as % of Total Exports	Non-Oil Exports (NB)	Non-Oil as % of Total Exports	% of Agric to GDP (CBP)	% of Solid Minerals to GDP
1981	11.0	10.68	96.89	0.3	3.11	11.8	4.9
1982	8.2	8.0	97.52	0.2	2.48	13.0	2.7
1983	7.5	7.2	95.98	0.3	4.02	14.6	2.3
1984	9.1	8.8	97.28	0.2	2.72	17.8	3.9
1985	11.7	11.2	95.76	0.5	4.24	17.8	3.9
1986	8.9	8.37	93.81	0.06	6.19	17.6	3.4
1987	30.4	28.2	92.91	2.2	7.09	20.2	2.7
1988	31.2	28.4	91.16	2.8	8.84	23.0	1.6
1989	58.0	55.01	94.90	3.0	5.10	21.1	1.3
1990	109.9	106.6	97.03	3.3	2.97	21.3	1.1
1991	121.5	116.9	96.15	4.7	3.85	20.7	1.6
1992	205.6	201.4	97.94	4.2	2.06	20.3	0.75
1993	218.8	213.9	97.72	5.0	2.28	23.4	0.35
1994	206.1	200.7	97.40	5.3	2.60	25.3	0.34
1995	950.7	927.6	97.57	23.1	2.43	28.3	0.14
1996	1309.5	1286.2	98.22	23.3	1.78	28.3	0.13
1997	1241.7	1212.5	97.65	29.2	2.35	29.5	0.13
1998	751.9	717.8	95.47	34.1	4.53	29.2	0.14
1999	1189.0	1169.5	98.36	19.5	1.64	26.9	0.13
2000	1945.7	1920.1	98.72	24.8	1.28	21.9	0.11
2001	1868.0	1839.9	98.50	28.0	1.50	24.8	0.11
2002	1744.2	1649.4	94.57	94.7	5.43	37.5	0.83
2003	3087.9	2993.1	96.93	94.8	3.07	34.5	0.80
2004	4602.8	4489.5	97.54	113.3	2.46	28.5	0.09
2005	7246.5	7140.6	98.54	106.0	1.46	27.1	0.09
2006	7324.7	7191.1	98.18	133.6	1.82	26.2	0.11
2007	8309.8	8110.5	97.60	199.3	2.40	25.9	0.11
2008	10387.7	9861.8	97.56	525.9	2.44	25.8	0.10
2009	8606.3	8105.5	96.54	500.9	3.46	26.2	0.10
2010	12011.5	11300.5	96.41	711.0	3.59	23.9	0.09
2011	15236.7	14323.2	94.0	913.5	6	22.3	0.09
2012	15139.3	14260.0	94.2	879.3	5.8	22.1	0.09
2013	15262.0	14131.8	92.6	1136.2	7.4	19.7	0.11
2014	12960.5	12007.0	92.6	953.5	7.4	20.2	0.11
2015	8845.2	8184.5	92.5	660.7	7.5	20.9	0.12

Source: Compiled from the CBN Statistical Bulletin

Table 1.4:
Selected Nigeria's Macro-Economic Indicators

	2011	2012	2013	2014	2015	2016	2017
Population (million)	160	165	169	174	182	187	192*
GDP per capita (USD)	2606	2708	2944	3182	2677	-	2192.5
GDP (USD bn)	418	446	498	553	479		
Economic growth (GDP, annual variation in %)	5.3	4.2	5.5	6.2	2.8	-2.24	-0.5**
Consumption (annual variation in %)	-3.1	0.0	21.1	0.6	1.4		
Investment (annual variation in %)	-7.6	2.8	4.2	13.4	-1.3		
Industrial production (annual variation in %)	8.3	1.5	0.0	5.5	0.3		
Unemployment rate	7.6	7.5	7.5	7.5	9.9	13.9	
Fiscal balance (% of the GDP)	-1.8	-1.3	-1.4	-0.9	-1.6		
Public debt (% of GDP)	10.2	10.4	10.5	10.6	11.5		
Money (annual variation in %)	15.4	16.4	1.3	20.6	5.8		
Inflation rate (CPI, annual variation in %, eop)	10.3	12.0	8.0	8.0	9.6	18.55	17.24*
Inflation rate (CPI, annual variation in %)	10.8	12.2	8.5	8.1	9.0		
Policy interest rate (%)	12.00	12.00	12.00	13.00	11.00		
Exchange rate (vs USD)	162.3	156.2	160.0	183.0	199.1		
Exchange rate (vs USD, aop)	156.0	158.8	159.2	165.2	197.9		
Current account (% of GDP)	3.0	4.2	4.0	0.2	-3.2		
Current account balance (USD bn)	12.7	18.9	20.1	1.3	-15.4		
Trade balance (USD billion)	35.0	40.9	43.8	21.0	-6.4		
Exports (USD billion)	97.2	94.3	95.1	82.6	45.9		
Imports (USD billion)	62.2	53.4	51.4	61.6	52.3		
Exports (annual variation in %)	23.7	-2.9	0.8	-13.2	-44.4		
Imports (annual variation in %)	32.9	-14.1	-3.8	19.9	-15.0		
International reserves (USD)	32.9	44.2	43.6	34.5	29.1		
External debt (% of GDB)	1.4	1.5	1.8	1.8	52TF		

Source: Drawn from OPEC Figures

attendant youth militancy for politicking and mischief while faceless Northern counterparts use religion and ethnic rivalry like indigene-settlers dichotomy as campaign tools.

Gaskia (2012) contended that the government cannot be trusted because the various policies of government had never benefited the poor masses and ended up in saying that relief is far-fetched for the struggling masses. A critical thought on the Gaskia's assertion revealed that some of the policies made by our leaders are cursory and then unrealistic. The policy implementation lacks proper supervision and evaluation and when evaluated, lacks follow-up-action to correct any deviation. To mention but one, does 6-3-3-4 in education policy achieve the purpose by which it is meant for?

In the words of the former minister of petroleum resources

Prof. Tam David-West, "it will be impossible for the country to diversify its source of earning because oil has proven to be so cheap to manage and it has produced a lot of millionaires overnight". He added that the resources from oil gave much leverage to aristocrats who were milking the nation's resources dry at the expense of the masses. David-West assertion, I believe, is the bone of contention.

Evidences justifying his assertion are clear, the overnight degeneration of the Nigerian economy simply because oil prices have fallen poses a question on how bogus revenues recorded from crude oil exploits over 45 years have been managed by a nation which ranks first in oil production in Africa. Infrastructural and human development in Nigeria remains very poor over the years while provided ones are found dilapidated owing to lack

of maintenance culture. For instance, power supply has been very unstable, our major roads remain in bad condition, pipe borne water supply which was available even in the rural areas when agriculture was the mainstay of the economy is now an unrealistic dream. while unemployment escalates annually.

Rotimi (2016) noted that Nigeria’s prolonged failure over the years is not unconnected with massive corruption, mismanagement, tax evasion, oil theft, contract breach etc among the political and economic elites. According to him, Nigeria is running a very expensive political system, 58% of the nation’s allocation is spent at federal level while 32% goes to the 36 states and the remaining 10 percent goes to the 774 local Government Areas. A larger percentage of this revenue goes to governance and jumbo pay for politicians such as N9bn as legislators’ annual ward-robe allowance, N500m security vote monthly to state governors, pension for life for governors and deputy governors after serving for four or eight years, among others (see Rotimi, 2016).

The expenditure burdens which rely solely on oil revenue, would have made the nation not to wait for catastrophic consequences of a source of revenue or revenue base that is non- renewable in nature before diversifying or developing the various revenue yielding resources which Nigeria is gloriously endowed with.

4.0 How The Economy Fares

With the afore mentioned shock, all economic indicators, real and nominal economic indicators trend downwards. **Table 1.4** shows that with oil shock in June 2014, all economic indicators started and continued trending downwards even as the country’s population grows steadily.

The GDP growth rate which was very impressive with an average rate of 5.3 percent between 2011 and 2014 to make Nigeria one of the fastest growing economies in the world shrank from its 2014 level of 6.2 to 2.8 in 2015, -2.24 in 2016 and continues to decline though at a slower pace. The bar chart in **Figure 1.3** shows that the growth rate of the economy since January 2016 has been negative.

According to *Economic Outlook* (2017), inflation spiked, monetary liquidity deteriorated and economic activity came to a grinding halt, causing the economy to contract in 2016 for the first time in over 20 years. Nigeria inflation rate exacerbated from 8.0 percent in 2014 to 9.6 percent in 2015 while increasing astronomically to 18.55 percent in 2015, 18.72 in January, 2017 and made a little shift downwards to 17.24 in April 2017.

Also, the gross oil revenue which recorded a value of N480bn in December 2014, came down to N460bn in January 2015,

N401bn in February 2015, N315bn in March while falling further to N282bn in April 2015 (Rotimi, 2016). The Central Bank of Nigeria (2015) noted that Nigeria’s crude oil revenue which stood at N1.859 trillion for the 2015 fiscal year dipped by 37.47% from N2.973 trillion recorded in 2014 and further decreased drastically in 2016.

Total revenue distributed to the three tiers of government, local, state and federal was N387.8 billion. In February, the amount distributed came down to N370.3 billion and by the end of the first quarter in March, it was pruned down to N345.1 billion. The trend continues downwards that many state governments find it difficult paying salaries to their public servants talk less embarking on capital projects.

Figure 1.3:
Bar Chart Showing the Growth Rate of the Nigerian Economy

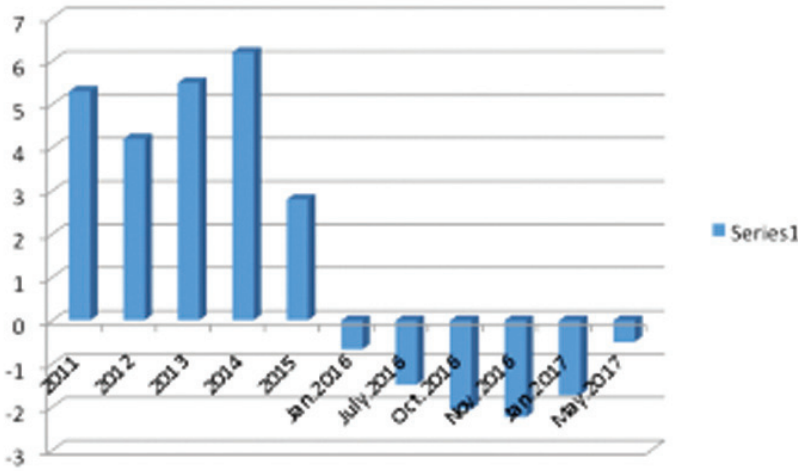


Figure 1.4:
Inflation Rate in Nigeria 2011 – April 2017

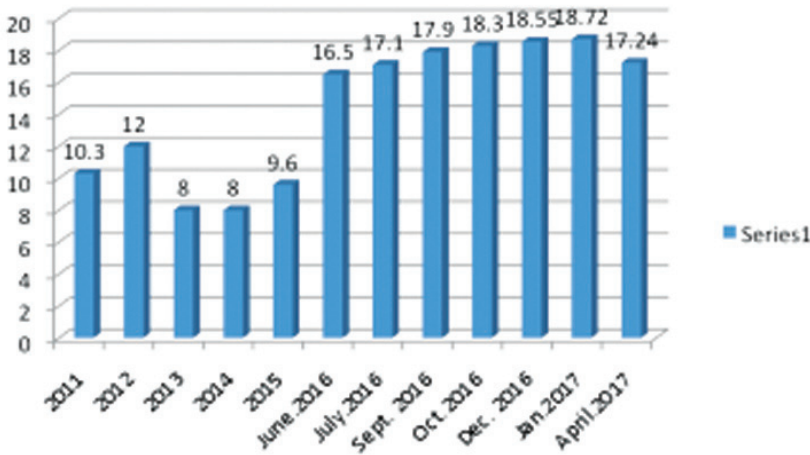


Table 1.5:
Nigeria Solid Mineral Resources Shown According to States Endowment

State	Mineral Resources
Abia	Glass sand, limestone salt, shale, ball clay, galena, granite, marble, laterite, bentonite, phosphate, kaolin, pyrite, feldspar, petroleum, lignite, sphalerite, clay.
Adamawa	Granite, clay, gypsum, limestone, uranium, kaolin, coal, trona, barite, salt, marble, magnesite, laterite.
Akwa Ibom	Clay, glass sand, salt, silica sand, granite, coat, petroleum, natural gas, kaolin limestone, lignite.
Anambra	Caly, iron stone, natural gas, petroleum, sand stone, kaolin, pyrite, lignite.
Bauchi	Kaolin, trona, gypsum, cassiterite, mica, clay, tantalite, galena, iron ore, gemstone, sphalerites, silica sand, barite, columbite, zice, lead, muscovite, quartz, columbite, tin, glass sand, salt, monazite, feldspar, graphite, wolfram, coal, agate, tantalum, rutile, tungsten, copper, talc, ilmenite, zircon.
Bayelsa	Salt, petroleum, natural gas, silica sand bontonite, crude salt, petroleum glass sand.
Benue	Gemstone, barities, feldspar, mable, mica silica sand, quatz, galena, lead, zinc ore, silica sand, clay, gypsum, kaolin, anhydrite, calcium, sulphate, brick clay, crushed and dimension stone, fluorspar, wolframite, bauxite, shale, magnetite, ilmenite, brenite.
Borno	Silica sand, natural salt, sapphire, topaz, mica, quartz, feldgypsum, uranium, iron ore, magnesite, feldspar, granite, aquamarine, nepheline, limestone, kaolin, bentonite, laterite clay, refractory clay, trona, gold, tin, potash.
Cross River	Salt, limestone, coal, managenese, mica, ilmenite, gold, quartz, glass sand, tourmaline, petroleum, natural gas, kaolin, tin ore, mica, sharp sand, clay, spring water, salt deposits, talc, granite, galena, lead zinc, tin ore, goethite, muscovite, uranium, barites.
Delta	Kaolin, lateritic clay, gravel, silica sand, natural gas, petroleum, ball clay, bauxite, granite, river sand clay, spring water.
Ebonyi	Lead/zinc ore, salt, limestone, ball clay, refractory clay, gypsum, granite.
Edo	Charnockite, copper, gold, marble, granite, gypsum, petroleum, dorite, lignite, limestone, ceramic clay.
Ekiti	Clay charnockite, quartzite, lignite, limestone, granite, gemstone, bauxite, cassiterite, columbite, tantalite, feldspar, kaolin.
Imo	Crude oil, shale, natural gas kaolin, laterite sand, limestone, salt, marble.
Jigawa	Glass sand, granite, laterite clay, silica, kaolin, iron ore, quartz, potash, talc, limestone.
Kaduna	Muscovite, granite, gold, manganese, clay, graphite, sand, zircon, kyanite, tine ore, ilmenite, gemstone, columbinte.
Kano	Clay, laterite, cassiterite, columbite, ilmenite, galena, phyochlorite, kaolin, gemstone, silica, tine ore, monazite, wolframite, thorium, granite, hyalite, kaolin, beryi, amethyst, gold.
Katsina	Gold, manganese, lateritic clay, feldspar, black tourmaline, amethyst, quartz, kaolin, mica, gypsum, silimanite clay, granite sand, uranium,, asbestos, tourmaline, serpentine (chresolite asbestos), chromites, limonite, ilmenite, diamond, graphite, iron ore, potash, silica sand.
Kebbi	Salt, iron ore, gemstone, marble, limestone, feldspar, dolomite, phosphate, mica.
Kogi	Clay, iron ore, gemstone, marble, limestone, feldspar, dolomite, phosphate, mica cassiterite granite, ommental stone, coal, kaolin.
Kwara	Clay, kaolin, silica sand, quartz, dolomite, marble, feldspar, gold, tantalite, cassiterite, granite, limestone.
Lagos	Silica sand, bitumen, sharp sand, gravel, petroleum, laterite.
Nassarawa	Cassiterite, gemstone, amethyst, beryi, chrysolite, emerald, garnet, sapphire, topaz, barites, galena, monazite, zircon, glass sand, coal.
Niger	Ball clay, kaolin, limestone, granite, glass sand, iron ore, red clay, feldspar, gold, graphite, cyanite, silica sand, quartz, asbestos, marble, talc, gemstone.
Ogun	Kaolin, feldspar, silica sand, mica, granite, clay phosphate, gypsum, limestone, quartz, tar sand.
Ondo	Marble, gold, gemstone, clay, diorite, lignite.
Osun	Clay, granite, talc, dolomite, limonite, feldspar, quartz, limestone mica, clay.
Oyo	Clay, feldspar, granite, limonite, iron ore, kaolin, quartz, talc, marble, dolomite, tourmaline, aquamarine, amethyst.
Plateau	Monazite, natural gas, silica sand, glass sand, clay.
Rivers	Petroleum, natural gas, silica sand, glass sand, clay.
Sokoto	Silica sand, clay, salt, limestone, phosphate, gypsum, kaolin, laterite, potash, granite.
Enugu	Lateritic clay, crude oil, kaolin, tin, clay, ball clay, iron-ore, glass sand, petroleum gypsum, coal, silica sand, ceramic clay.
FCT – Abuja	Kaolin, limestone, granite, marble, feldspar, mica, dolomite, clay, sand, talc.
Gombe	Graphite, kaolin, limestone, silica sand, uranium, coal, halities, clay gypsum, diatomite, granite.
Taraba	Fluorspar, garnet, tourmaline, sapphire, zircon, tantalite, columbite, cassiterite, barite, galena, gypsum, limestone, laterite, calcite, bauxite, magnetite, pyrite, lead/zine ore.
Yobe	Salt, diatomite, clay, gypsum, kaolin, silica sand, limestone epsomitte, iron ore, trona, shale, uranium, granite, bentonitic clay.
Zamfara	Cold, alluvial gold, granite, chromites, charnockite, clay, feldspar, spring water.

Source: Raw Materials Research and Development Council (RMRDC), Abuja Nigeria

5.0 Ways Out of Nigeria's Oil Woes: Diversification of the Economy

The economy has to be diversified. A diversified economy is an economy that has different viable economic revenue streams capable of driving the economy to a sustainable economic growth. A failure of one or two economic revenue streams do not avail the nation of sustainable economic growth since several other promising revenue yielding sources are available for the sustenance of economic growth. With diversification, a country does not entirely depend on any one sector as to start experiencing a severe shock when any particular sector suffers a setback. If there is any setback in any sector, the economy falls back to revenues derived from the other sectors to continue with the normal flow of economic activities. There are major diversification strategies namely:

Concentric diversification. This has to do with the new business producing products that are technically similar to the company's current product but that appeal to a new consumer group.

Horizontal diversification. This is a situation where the new business produces products that are totally unrelated to the existing (company's) current product and the products are appealing to the same consumer group. In other words, the company markets new products or services that have no technological or commercial synergies with current products but that may appeal to its current customers.

Conglomerate (or lateral) diversification. This is concerned with a situation where the new business produces products that are totally unrelated to the existing (company's) current product and that appeal to an entirely new consumer group (Okpara, 2014).

Motivating Factors of Diversification

Factors leading to decisions to diversify are many, to mention a few, such factors are reducing risk, exploiting new market opportunities, increasing national or ones income base, export potential for a country, responding to changing consumer demands, changing government policy, responding to external shocks and developments in economic globalisation. Diversification for entrepreneurs can be a response to both opportunities and threats.

Opportunities can take the form of export potentials and adding value. For the sake of this study, we shall limit our discussion on these two motivating factors.

- ★ **Export potential:** Entrepreneurs in developing nations especially those endeared with agricultural resources must have committed ambition to diversifying into agricultural and industrial products that can meet export market demand. While concern about financing decision as well as the cost of complying with supermarket certification requirements for international market may jeopardise this success in the short run, there still remains much potential to diversify to meet export markets with government genuine committed assistance to entrepreneurs.
- ★ **Adding value:** The pattern witnessed in the west, and now becoming widespread in developing countries is for consumers to devote less and less time to food preparation.

They increasingly require ready prepared meals and labour-saving packaging, such as can-water, pure water, plantain chips, pre-cut salad, wheat flour, cassava flour and the like. Adding value provides the opportunity for farmers to diversify into value addition.

Diversification for Foreign Exchange Earning

All hope is not lost, the economy can still regain its composure on economic affluence through exploiting other available natural resource endowments in the country. These resources can be discussed under the following headings:

Boosting the Agricultural Sector

Agriculture was the mainstay of the Nigerian economy when it was not highly mechanised. It provided food, employment, foreign exchange earnings and all we needed to keep the economy self sustained at a time when mechanisation of agriculture was not popularly adopted. In those days, Commodity Marketing Boards which oversaw the marketing of agricultural produce was operational. Today, mechanisation of agriculture for the replacement of crude implements and traditional method still existent in this sector is necessary. To do this, the government should step in by providing medium term loans to the farmers at lower rate of interest through Agricultural bank, Development banks and even commercial banks on a proper agreed terms. Commodity Marketing board should be reestablished for facilitating the marketing of the products.

Agriculture, if well managed, can make the country flow in affluence, a country like Brazil have over \$350 billion (as compare to \$30.49 billion for Nigeria) in its foreign reserves and 80 percent of the fund is from agriculture. Brazil is now a leading producer of sugarcane, soya beans, wheat and poultry in the World. Agriculture plays a significant role in the development of India as it is the means of living for two-third of the employing class in India. This, the country achieved by setting up an exclusive ministry of food processing industries (<http://wdn.com.ng/economy-diversification-agriculture>).

Exploiting the Solid Minerals

Nigeria has more potential endowment to diversify into namely; abundant solid minerals for a wide range of industries which include clay/kaolin, coal, tar sand reserves, gold, gypsum, iron-ore, marble, limestone, phosphate, salt, tin ore, Zinc/leads and columbite amongst others. Over 34 solid minerals have been identified and only 13 are said to be mined, processed and marketed (FGN, 2014). They are yet to be fully explored even when exploration of mining industry is by far cheaper than prospecting for oil mineral. What we are saying is not far-fetched, prior to the oil booms of 1970's and 1980's, earnings from solid minerals such as coal, tin; columbite (which Nigeria was at a point the largest producer of), etc, were sources of revenue for developing social overheads and merit goods such as roads and bridges, education, hospitals and even the petroleum industry.

We could also explore water resources for multi-purpose uses such as power generation, irrigation, fishing and livestock development (Shuaib, 2012).

The federal government as well as the state governments have recorded no meaningful or functional diversification programme

yet various mineral resources are littered in various states of the federation as shown in **Table 1.5** as shown. It is obvious that Nigeria is blessed immensely with potential mineral resources that could launch her prosperity. Most fast growing economies in the world today are not oil-driven, yet Nigeria has more potential endowment than they have. Japan and some of the so called Asian tigers hardly started with potentials which most states in Nigeria have.

Some mineral rights should be assigned to state governments which will in turn pay taxes to the federal government. Though all states may not have each of the listed resources in commercial quantities, they can however form joint mining or exploration ventures with one another.

Empowering the Manufacturing Sector

Manufacturers manufacture goods which are valued and added to the domestic output for the compilation of gross domestic product. The goods produced are also subjected to foreign demand. The demand for these goods from abroad is synonymous to demand for Naira or supply of foreign exchange. Put in another way, we earn foreign exchange when we sell our goods and services abroad. The demand for Naira is high, implies that we have much goods and services selling abroad and this in effect leads to the appreciation of Naira. Our Naira is depreciating because we have less tradable goods and services selling in the international market. Thus, just like agricultural products or any other products standardised for traded goods, development of manufacturing sector will be an enviable source of foreign exchange earnings for Nigeria. In the light of this therefore, government incentives in the form of granting credit to the sector at a minimal interest rate (especially to small and medium scale manufacturers), granting tax holiday, and other incentives it deems necessary from time to time will be encouraging.

Potentials of Tourism Development

Nigeria is blessed with huge tourism resources including the tropical rain cluster that contains the most beautiful natural, cultural, historical and man-made tourists attractions in Africa yet Nigeria is not included in the list of the major destinations in Africa. The African major destinations include South Africa, Tunisia, Egypt and Morocco. According to Eneji, Odey and Bulus (2016), Nigeria's tourism landscape is extremely rich and beautiful for global tourist attraction; the weather, climate, vegetation, quality airspace, sunshine, beautiful scenery, the rocks, falls, captivating beaches, historical relics, rich cultural diversity, friendly peoples and wildlife are Nigeria's tourism assets. They are also found to have said that there is no type of natural or historical tourist attraction found anywhere in the world that is not found in this cluster. Ajayi (2012) noted that Nigeria has a great geographical and climatic diversity from the Atlantic Ocean in the south through the middle belt region to the far North – a geographical advantage that could encourage ecotourism as well as marine tourism. Tourism assets in Nigeria include but not exhaustive, Tinapa Business Tourism Resort at Calabar, Cross River National Park, Afikpo Caves, the slave routes at both Cross River and Akwa Ibom States, River Cruising and sea sports fishing from Calabar, Obudu Ranch Resort, Akwa Ibom Golf and Leisure Resort and Trail of Mary

Slessor activities (Tourism Master Plan, 2006). Others are the Gurara Water Falls, Zuma Rock, Olumo Rock, Ikom Water Falls, etc. Ikeja Water Parks, Snake Island, Ibadan Amusement Centre, Abuja Parks and Amusement, Lagos Bar Beach, Nicon and Sheraton Hotels, Zaranda Hotels, etc. Yankari, New Busa and Bauchi Game Reserves, Plateau Gardens and Monuments, Kano and Ibadan Zoos, Cross River Boat and Fishing Regatta, Argungu Fishing Festival, etc. Atilogwu Dancers, Kuntigi and Kalangu local guitarists, Yam Festival, Gale and GboyaNupe Tradition, Eyo Masquerades, Ekwechi Festival in Ebira, bronze statutes from Benin, local fan and hat from north, local cloth dyers from Kano and Oyo, etc. Dambe and Langa traditional games from north. The World Trade Organisation (WTO, 2014) noted that tourism and hospitality industry is one of Africa's greatest but most under invested assets, with market worth \$50 billion, but has \$203.7 billion of untapped potential which represents four times its current level. While the United Nations (2013) reports that Travel and Tourism's total contribution to the global economy stood at \$7 trillion representing 9.5% of global GDP. Not only out pacing the wider economy, but also growing faster than other significant sectors such as financial and business services, transport and manufacturing.

In order to promote export in tourism sector, the government should improve the regulatory environment to reduce the burden of regulatory compliance and cost of doing business; improve infrastructure such as power, access roads, pipe-borne water, etc and facilitate access of tourists so that tourists can be motivated to increase their stay.

Education

Other areas to exploit are the intangible resources; Intangible resources are linked to human resources. Human resources create knowledge and can be exploited profitably by firms. There must be a push to secure, embed and utilise more diverse human resources. In this regard, education quality should be tightened up in order to return its glory (quality) of the past. Education is an essential tool for achieving sustainability. According to ESD Toolkit (2012), people around the world recognise that current economic development trends are not sustainable and that public awareness, education, and training are key to moving society toward sustainability. The quality of human resources source (education system) has been politically thrown into quagmire. The indifferent attitudes of governments to education have some attendant implications on the quality of human resources (education) and the raising of creative intellectuals for the building of sustainable economy.

Invariably, this calls for government outstanding committed and functional investment in education. Research grants should be made enormous with full awareness created about it, so that prospective researchers will grab the advantage not only for new invention but also for the exploitation of the existing endowment.

Anti-Corruption Campaign

The obvious assertion is that over dependence on oil and egoism (self-centeredness) of the political, privileged elites and law enforcement agencies must be replaced with public spiritedness, if diversification of resources for sustainable economic growth must be achieved in Nigeria. Bribery and

corruption have eaten deep into the nerves and fiber of Nigerians that they nickname bad, good and turn wrong upside down to answer right in order to achieve their selfish interest.

If we can be transparent enough and effectively fight corruption, the introduction of single account by the present government will be capable of checking embezzlement and stealing of public funds. The law enforcement agencies in our borders namely the custom, immigration, police and others could forestall illegal and informal business activities going on in the border as these illegalities impede our foreign exchange earnings to aid further depreciation of Naira.

To further enforce anti corruption in order to frustrate the ill conceived spending and lootings of some of our unpatriotic rulers, cannons of benefits and sanctions must be rigidly followed in spending public funds.

The cannon of benefits which states that public expenditure should be incurred only if it is beneficial to the society should be invoked when making any budgetary allocation. Budgetary allocations should be prioritised and committed to agriculture, solid minerals, science and technology and more importantly researches as these are critical to diversification of the economy. In allocation of funds to these area, close supervision and follow-up action are very necessary because it is not unfounded in Nigeria where projects are abandoned and left uncompleted even when the fund for the execution has been disbursed.

Cannon of sanction which requires that government funds be used under the authorities' proper approval and strictly for the purpose for which they have been sanctioned must be put in use. This I believe will go a long way to putting a check on the misappropriation and extravagant use of government funds on ghost and pseudo projects in Nigeria and other emerging economies.

The federal and state governments should retrace their steps and begin to exploit these endowed potentials. The optimal mining and management of these mineral potential resources as well as aggressive development of moribund agrarian ventures and tourism should be pursued and revitalised.

Finally, to build and increase capacity to exploitation of resources for export sector, the government should promote foreign and local investments through fiscal incentives. Rural roads for harvesting agric-product have to be made pliable, regular power supply for processing and storage of agricultural products are necessary while conducive and motivating policies have to be embarked on. The adoption and proper implementation of these recommendations, I believe will help Nigeria to diversify and boost her foreign exchange earnings for sustainable development.

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★ Professor Godwin Chigozie Okpara delivered this paper at the 12th Eastern Districts' Zonal Accountants' Conference of the Institute of Chartered Accountants of Nigeria held in Warri, Delta State.

Overcoming Resistant Hypertension

As men live longer, more face the challenge of difficult-to-control high blood pressure

High blood pressure, or hypertension, remains a common health issue for a majority of older men. In fact, approximately 54% to 67% of men ages 65 and older suffer from the condition, which occurs when your systolic pressure (the top number on a blood pressure reading) is 140 mm Hg or higher, and your diastolic pressure (the bottom number) is 90 mm Hg or higher, according to the American Heart Association.

Common drug treatments include calcium channel blockers, ACE inhibitors, and diuretics, given either individually or in combination. Calcium channel blockers and ACE inhibitors help blood vessels relax, and diuretics get rid of excess sodium and water in the body.

These drugs often bring high blood pressure down into a safer zone. However, some men do not respond to the therapy. If your blood pressure remains at 140/90 mm Hg despite taking the highest dosage of at least three different blood pressure medications, including a diuretic, you have what's called resistant hypertension.

A Growing Problem

With such a narrow definition, resistant hypertension may not sound like a major issue, but over a 30-year span from 1988 to 2008, the prevalence of resistant hypertension in the United States has risen from 8.8% to 20.7%.

"Blood pressure goes up with age. In older people, it is also common for systolic blood pressure to be elevated while diastolic pressure stays normal," says Dr. Naomi D.L. Fisher, Director of the Hypertension Service at Harvard-affiliated Brigham and Women's Hospital.

"But it's dangerous to wait until yours gets too high before taking action. With resistant hypertension, it may take longer to get it under control, which keeps you at a greater risk for a heart attack or stroke."

When is High Blood Pressure Not Resistant Hypertension?

Sometimes, stubbornly high blood pressure reflects factors other than how you react to drug treatment. For instance:

Poor Measurements: There is a chance your blood pressure



is improving, but a problem like a loose cuff could cause a faulty reading. Get multiple readings, at different times of the day.

Not Taking your Medication: A 2014 study in BMJ found that one in four patients with hypertension either didn't take their medication or took it only part of the time. People may skip doses because they forget, they're fearful of possible side effects, or the pills are too expensive. Speak with your doctor if you're having trouble taking your medication as prescribed.

White-coat Syndrome: Anxiety at the doctor's office can make blood pressure temporarily spike, which leads to a false reading. Ask the nurse or medical assistant who takes your initial blood pressure to repeat it after a few minutes to see if it has gone down. You also can help ease anxiety by bringing a friend or family member to your appointment.

Treatment Options

When you are diagnosed with high blood pressure, your doctor will likely prescribe a blood pressure drug. It usually takes about two weeks for the drug to take full effect, and your doctor will want your blood pressure checked again within a month after your diagnosis.

"He or she will have a good sense then if your medication is working, or whether the dosage should be increased or another drug added or swapped in," says Dr. Fisher. "The goal is to find the

right amount and combination that works for you.”

How many drugs you eventually take depends on factors like your blood pressure reading (a systolic number like 150 to 160 mm Hg or higher will often require two or more drugs), your age, and whether you are overweight or sedentary.

Yet drugs are just one part of treatment. Your doctor will also prescribe lifestyle modifications as needed, such as losing weight, quitting smoking, reducing salt in your diet, and being more active, all of which can help lower blood pressure.

“But since lifestyle changes can take longer to implement and yield results in terms of blood pressure reduction, it’s always best to prescribe medication without waiting too long,” says Dr. Fisher.

What You Can Do

If you have reached the maximum dosage of at least three medications and your blood pressure is still high — and lifestyle changes also haven’t helped — your doctor will look for other causes such as kidney disease, Cushing’s disease, or pheochromocytoma (a tumor in an adrenal gland). After that, he or she will explore other underlying issues. For example:

Sleep Apnea: This common condition is marked by repeated pauses in your breathing — lasting from a few seconds to a minute or so — while you sleep. A 2014 study in the *Journal of Clinical Sleep Medicine* involving almost 300 people who had sleep apnea or were at high risk for heart disease found that sleep apnea quadrupled the odds of having resistant hypertension.

Nonsteroidal anti-inflammatory drugs (NSAIDs): These include over-the-counter pain relievers like Ibuprofen (Advil, Motrin) and Naproxen (Aleve). A 2012 study in *BMC Cardiovascular Disorders* of 1,340 users of NSAIDs and 1,340 users of the non-NSAID painkiller Acetaminophen (Tylenol) found that NSAID users had a 2 mm Hg increase in systolic blood pressure compared with acetaminophen users. “If you are taking more than occasional doses to control pain, you should discuss this with your doctor,” says Dr. Fisher.

Alcohol: Excess drinking can elevate blood pressure. Men should limit their intake to no more than two drinks per day, says Dr. Fisher.

Try a New Drug

If you haven’t responded to three standard blood pressure drugs, your doctor might try a less common choice, such as Spironolactone (Aldactone) or Eplerenone (Inspra).

A 2017 study from the European Society of Cardiology compared various treatments in 314 people with resistant hypertension and found that spironolactone, a diuretic, was more effective than traditional choices for drug therapy. The downside is possible side effects, especially for men, like gynecomastia (enlarged breast tissue) and a rise in potassium, especially for people with kidney disease.

A small study involving 57 people with resistant hypertension published online June 13, 2016, by *The Journal of Clinical Hypertension* discovered that adding eplerenone to the standard three-drug treatment for 12 weeks lowered systolic blood pressure by almost eight points and diastolic blood pressure by more than four points compared with a control group. ●

★ (Culled from *The Harvard Special Health Report* @ www.health.com)



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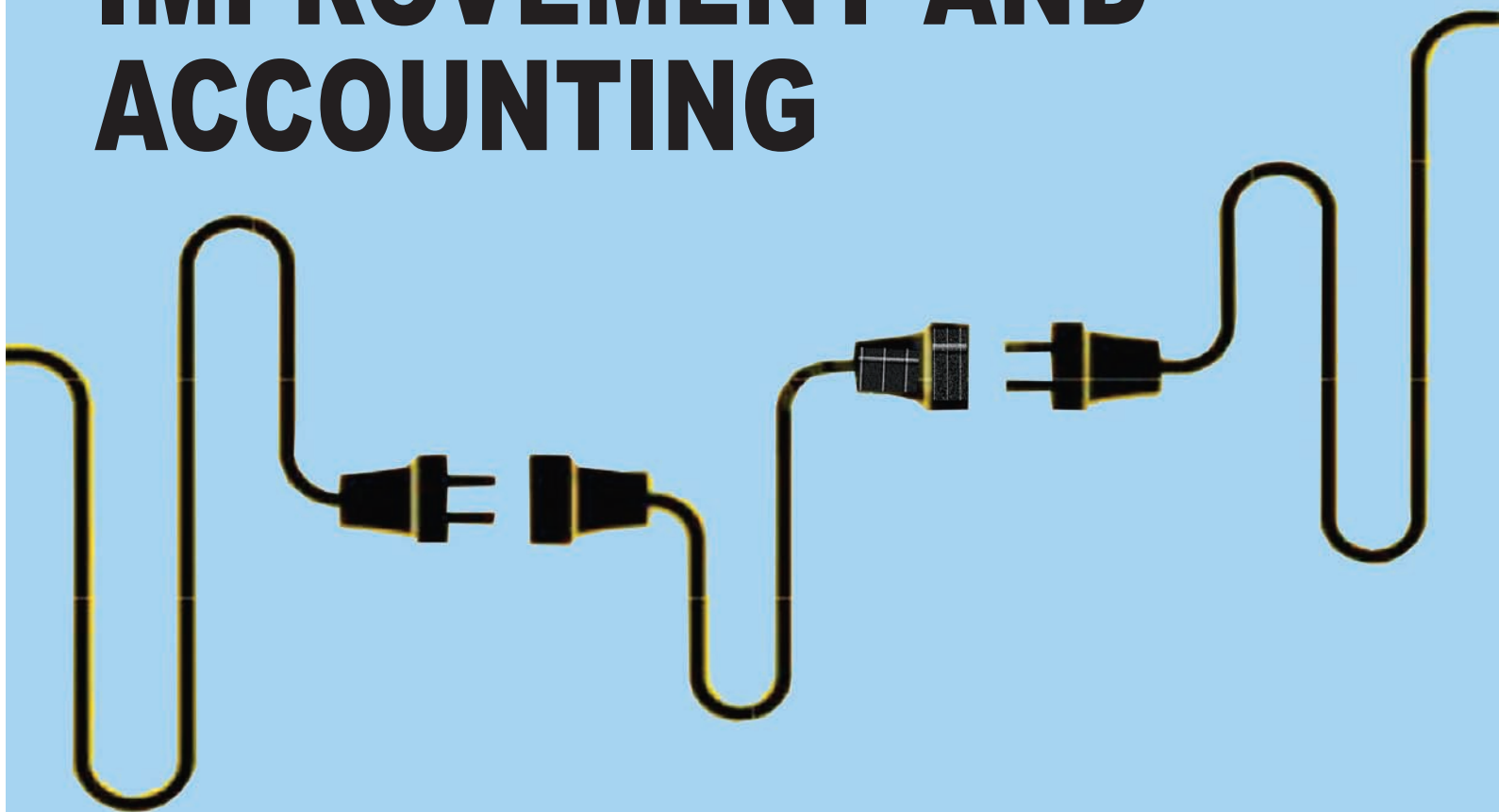
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BUSINESS PROCESS IMPROVEMENT AND ACCOUNTING



Establishing and Defining the Mutual Links

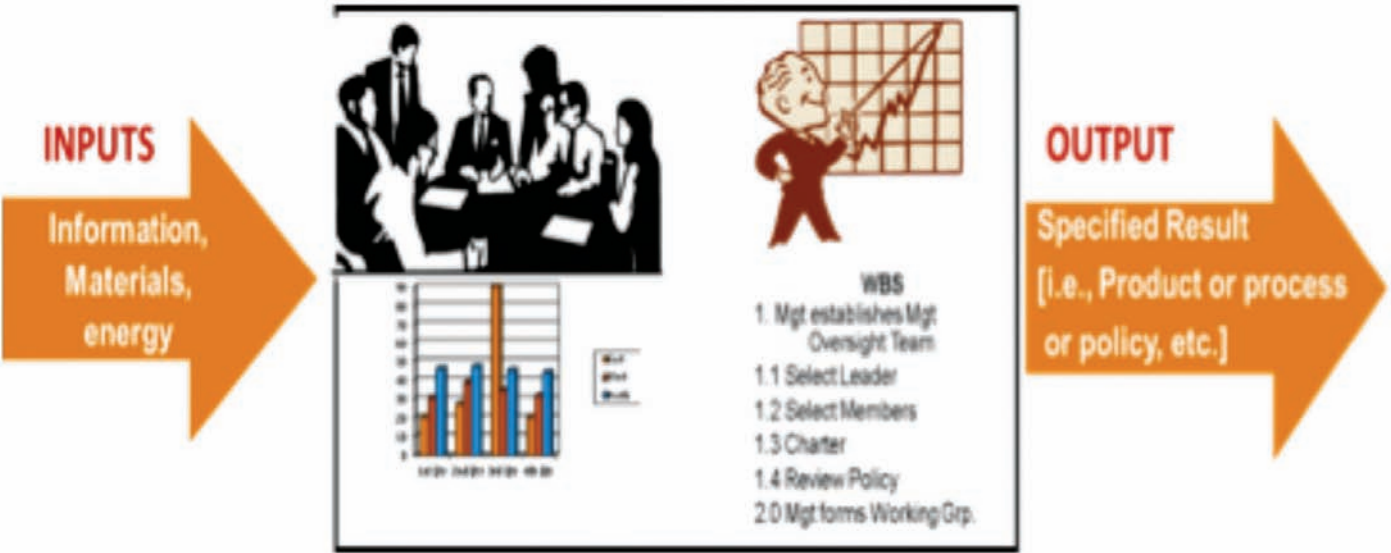
By AKINTOLA OWOLABI and OSARETIN KAYODE OMOREGIE

1. ABSTRACT

Rapid and continuous changes in global economic conditions have forced organisations to realise the need for continuous improvement and innovation in their business processes in order to remain relevant in a dynamic and competitive environment. This has led to several business process improvement strategies such as Lean thinking and Six-Sigma.

This paper examines the changing role of the accounting function from a passive, record keeping and custodial function to a proactive business support role, with the capacity to drive innovation, business intelligence and competitive advantage through business process improvement. The relationship between business process improvement and accounting is examined from two perspectives (a) considering the accounting function as an enabler for business process improvement and (b) considering how business process improvement techniques can be used to improve accounting processes.

Keywords: Business Process Improvement, Business Intelligence, Lean Manufacturing, Lean-Accounting, Six-Sigma.



2. INTRODUCTION: WHAT IS A BUSINESS PROCESS?

A business process is a logical organisation of people, procedures and technology into work activities designed to transform information, materials and energy into a specified result (Davenport & Short, 1990).

3. WHAT IS BUSINESS PROCESS IMPROVEMENT?

Business Process Improvement (BPI) involves understanding existing processes and introducing process changes to improve product quality, reduce costs or accelerate schedules (Harrington, 1991).

Business Process Management (BPM) and Business Process Improvement (BPI) are vital for driving performance in organisations and create advantage in a competitive environment (Lohdi, Koppen & Saake, 2011).

Continuous improvement is one of the tools that underpin the concept of total quality management and lean production. It is a management philosophy that focuses on identifying ways in which small improvements can be made to reduce waste, costs and improve overall quality of the output of a business process (Pepper & Spedding, 2010).

For management to successfully integrate a system of continuous improvement in all business processes, business process owners at every level in the organisation must constantly look for ways to increase efficiency, effectiveness and profitability.

3.1 BUSINESS PROCESS IMPROVEMENT AND ACCOUNTING

According to Lohdi, Koppen and Saake (2011) the understanding of a process is a basic pre-requisite to its improvement. This understanding they suggest is facilitated by the concerted extraction of valuable information from the process.

Business Process Management and Business Process Improvement are key to organisational success and are a critical task of organisational design (Vom Brocke *et al*, 2011; Becker and Kahn 2010; Bucher and Winter, 2010).

Maturity models have been offered as a framework for managing business processes. According to Becker *et al* (2009),

maturity models include a sequence of logical paths and stages from inception to maturity along which a process matures or undergoes continuous improvement. It is a measurement of the capacity of the people, processes and culture of an organisation to continue to improve almost without conscious improvement engagements and by the mere fact of usage. Roglinger and Becker (2012) however argue, that “BPM maturity models provide limited guidance for identifying desirable maturity levels and for implementing improvement measures”.

The concept of Business Process Improvement can be linked to the accounting function from two distinct perspectives as follows:

- a. Considering the accounting function as a part of the overall system of value creation.
- b. Considering the accounting function as a business process in itself.

4. THE ACCOUNTING FUNCTION AS A PART OF THE OVERALL SYSTEM OF VALUE CREATION

This perspective looks at the role of the accounting function in the continuous improvement process. In this context, the accounting function comprises of financial and corporate reporting, cost and management accounting.

Cost and management accounting has shifted from a narrow and passive focus on cost aggregation and analysis to the more strategic role of business process analysis and improvement, decision support and performance management (Walker & Denna, 1997). Organisations have come to realise over the years the importance of cost management in increasing efficiency, effectiveness and profitability. From the management accountant’s point of view, continuous improvement is a lean practice because every individual in the organisation is required to actively innovate ways to cut excess cost from their area of operation and improve overall profitability.

Activity Based Costing (ABC), a technique in cost and management accounting is premised on the assumption that the cost incurred by an organisation is driven by its various activities. ABC thus allows indirect costs to be allocated to products in a more efficient way with reference to activities rather than on the bases of some arbitrary allocation methods.

Since business processes are a sequence of related activities focused on achieving a given outcome, cost efficiencies can be achieved with process improvements.

Before now, the traditional role of the management accountant has been focused on collecting cost information, preparing cost reports and management accounts. Changes in the business environment (caused by technological innovation and globalisation) have led to the redefinition/expansion of the management accountant's traditional roles to include performance evaluation, strategic planning and decision making, business process management and improvement, within a performance and continuous improvement framework and culture.

Management accountants are expected to develop new skills in order to enable them contribute more effectively to management decisions. By redesigning their systems and approach to cost analysis and management, accountants are able to disseminate more relevant accurate information for decision making (Institute of Management Accountants, 1997).

4.1 SUPPORTING ROLES OF THE MANAGEMENT ACCOUNTANT IN BUSINESS PROCESS IMPROVEMENT

- a. **Information Gathering and Analysis:** Through benchmarking and analysis of competition, the management accountant can help organisations identify problem areas in their cost management and efficiency.
- b. **Internal Consulting:** By identifying performance standards from information gathered internally as well as in the industry, the management accountant can provide a basis for the performance assessment of cost centers and create a justification for a more detailed inquest into their business processes.
In addition to this, the management accountant can also develop/modify and advise on performance indicators which are specific to the process under scrutiny.
- c. **Coordinator of the Strategic Plan:** Management accountants play an important role in ensuring that there is coordination between the organisation's operational activities and long-term strategic plan. By developing and implementing performance measures which are directly aligned with both financial and non-financial strategic objectives, they create a measure of control to track the organisation's progress towards strategic goals.
- d. **Disseminator of Information:** The management accountant helps to enable smoother integration between two or more internal units by translating the information needs between them, e.g. customer satisfaction needs (from sales department) to product design specifications (in production design). The management accountant helps to integrate the objectives of two or more business units.
- e. **Educator:** When the organisation is undergoing a business process change initiative, the management accountant can be helpful in educating managers at all levels about the importance of the business process

change and how it is linked to the company's strategic objectives.

Regardless of the form of business process change the organisation is experiencing or the approach to achieving business process improvement, innovations in accounting systems are an important prerequisite to ensure quality of management information and overall success in meeting business objectives.

4.2 INNOVATIONS IN MANAGEMENT ACCOUNTING TO SUPPORT BUSINESS PROCESS IMPROVEMENT AGENDA

Examples of the management accountant's roles in support of the business process improvement philosophies include:

- a. **Just-In-Time (JIT) Inventory Management:** The JIT inventory management system was developed in an effort to reduce the cost of holding inventory by only ordering what is needed only when it is needed. This is one example of innovation in cost management as a pillar of continuous improvement.
- b. **Activity Based Costing (ABC) Approach:** In order to increase efficiency in the quality of information produced and reduce cost ambiguity, another innovative technique adopted by accountants is Activity Based Costing. The ABC approach only allocates cost to cost centers based on their utilisation of the cost generating unit. The introduction of ABC into cost accounting for manufacturing has improved the quality of decision made by management.
- c. **The Balance Score-Card Approach to Performance Measurement:** The changing roles of the management accountant in managing and translating the firm's strategic objectives have seen a shift in the emphasis of traditional performance measures on solely financial performance measurement to a mix of both financial and non-financial performances. The use of the balanced score-card has become an acceptable method of assessing company-wide performance.

One area in which organisations focus on improvement gains to drive profitability is the inventory management process (IMP) or system. IMP involves the following sequence of key related activities; Production Planning, Materials Planning, Ordering and Procurement, In-bound Logistics, Warehousing, User Requisition, Out-bound Logistics, Production/Materials Usage, Reporting and Planning (Closing the Cycle). Each of these major activities may also comprise of sub-activities, all of which drive costs and roll-up into other major processes of the business.

The management accountant can use the major BPM and Business Process Improvement (BPI) techniques discussed above to drive efficiency gains, cost reduction and innovation across the entire IMP.

For example, by using process design and enabling technology, the materials planning, procurement, ordering functions can be seamlessly integrated using JIT techniques to ensure that in-bound inventory requirements are only ordered on as need bases, just before they are actually required for productions. This ensures that the level of investment in inventory is substantially

Table 1

SOME EVIDENCE OF THE NEED FOR PROCESS IMPROVEMENT	POSSIBLE OPPORTUNITIES FOR IMPLEMENTATION
<ul style="list-style-type: none">Simple tasks take too long to complete	<ul style="list-style-type: none">Automation
<ul style="list-style-type: none">Too much time is spent in validating data	<ul style="list-style-type: none">Documentation
<ul style="list-style-type: none">Too much paper is being used	<ul style="list-style-type: none">Integration
<ul style="list-style-type: none">Backlogs exist	<ul style="list-style-type: none">Training
<ul style="list-style-type: none">There is a significant amount of manual keying and rekeying of data	<ul style="list-style-type: none">Access to Data
<ul style="list-style-type: none">Information is not easily accessible	<ul style="list-style-type: none">Reporting
<ul style="list-style-type: none">Senior management information requests result in constant fire drills	<ul style="list-style-type: none">User Manuals, Policies and Procedures
<ul style="list-style-type: none">System workarounds and renegade processes exist	<ul style="list-style-type: none">Data Input
<ul style="list-style-type: none">Excessive use of spreadsheets	
<ul style="list-style-type: none">External databases/data warehouses supplement the accounting system	

reduced. This lead to a *“Pull”* and *“Build-to-order”* production process rather than a *“Push”* and *“Build-to-inventory”* system, with attendant significant efficiency gains, cost reduction, lower inventory shrinkages and overall profit improvement.

4.3 KEY DEPENDENCIES IN THE MANAGEMENT ACCOUNTANT’S ABILITY TO SUPPORT BUSINESS PROCESS IMPROVEMENT AGENDA

- a. **Deep Understanding of Organisational Processes**
To play an effective supportive role in business process improvement, the management accountant will need to develop a deep understanding of the specific business processes in the organisation in order to form a valid recommendation for change and be helpful in the improvement process.
- b. **Analytical and Problem Solving Skills**
The Management Accountant will also need to possess good analytical and problem-solving skills to ensure accuracy in their analysis and recommendations.
- c. **People Skills**
Another key skill needed by the management accountant is the people skill. In order to obtain the relevant information, the management accountant will need to gain the trust and respect of the people involved in the process in question. This is the only way the management accountant can gain the relevant information (formal and informal) he/she will need to analyse and arrive at a recommendation.

Possessing people skills will also help the management accountant in anticipating the behavioural implications of adopting specific performance measures which may inhibit/promote the achievement overall objective.

- d. **Deep Understanding of the Competitive Landscape of the Organisation**
For management accountants to effectively perform as facilitators of business process change, their grasp of the competitive environment of the organisation will need to be consistently sharpened. It will enable them have access to information regarding best practices in the industry and set benchmarks or recommend more effective processes to enable the organisation compete effectively in the industry.

5. CONSIDERING THE ACCOUNTING FUNCTION AS A BUSINESS PROCESS IN ITSELF

This perspective focuses on the use of tools of business process improvement to improve the business processes of the accounting function.

A business organisation consists of several processes which interact together to meet the business objectives of the organisation. The accounting function is one of these processes and it is not immune from pressures to enhance value-creation objective of the firm. As traditional transaction processing systems and processes have become obsolete due to the changing competitive environment and the increased participation of the accountant in strategic roles, it has become imperative to find new ways of improving processes in order to save time and improve production of timely and relevant accounting information.

For example, in the transition to IFRS reporting, companies have had to improve processes around people (training and skills update), information gathering and transaction processing, upgrade of enabling technology and reporting systems, interface between facilities management processes and MIS, to aid proper identification, measurement and reporting of impairments (assets) and classification of assets held for sale, etc. All these require massive innovation and continuous improvement in core

accounting and financial reporting systems.

- 5.1 BUSINESS PROCESSES IN THE ACCOUNTING FUNCTION**
- The business processes in the accounting function consists of three major activities:
1. Transaction Processing.
 2. Control and Risk Management.
 3. Decision Support.

5.1.1 APPLICATION OF BUSINESS PROCESS IMPROVEMENT IN ACCOUNTING PROCESSES

For the accounting function to be more effective, they need to build a culture of continuous improvement and value creation into their systems and methods. Organisations will need to adopt a flexible and dynamic accounting and decision support systems that produce relevant, timely and accurate financial information for decision making.

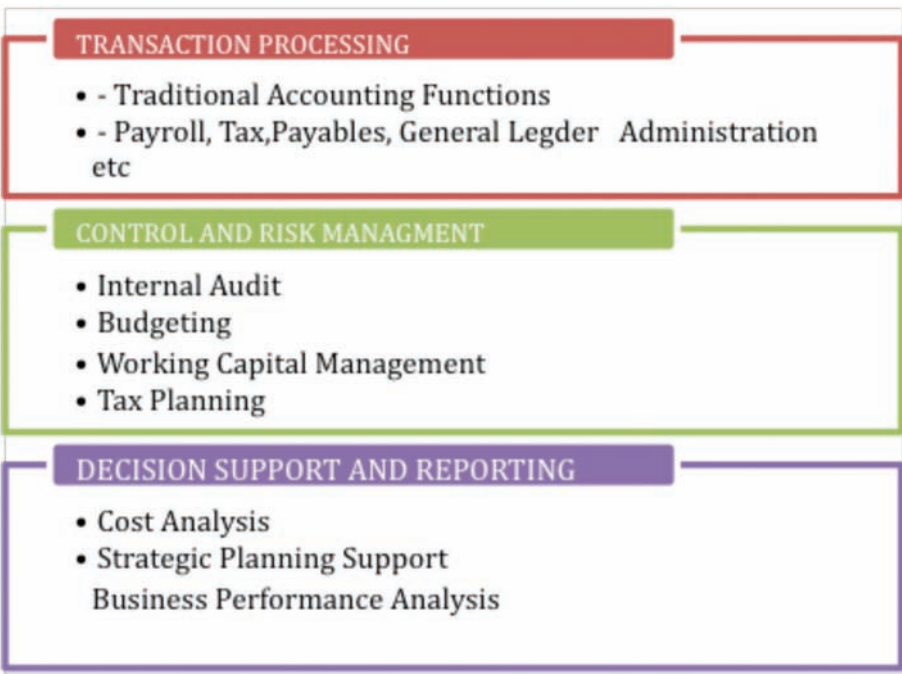
Table 1 identifies some signals that process improvement is required for the accounting function and possible themes in which process improvement methodologies can be applied.

- 5.2 PROCESS IMPROVEMENT FOR THE ACCOUNTING FUNCTION**
- 5.2.1 OBJECTIVES**
- In line with the preceding sections, five identifiable objectives for implementing business process improvement initiatives specific for accounting process are as follows:
- To remove non-value-added activities.
 - To reduce the cost of processing transaction.
 - To eliminate errors.
 - To reduce time, effort, cost and complexity of accounting procedures.
 - To enhance the quality of input to strategic decision making.

5.2.2 STAGES FOR IMPLEMENTING PROCESS IMPROVEMENT FOR THE ACCOUNTING PROCESSES

While the process of redesigning/improving the accounting function may vary across organisations, there are three distinct stages present in the improvement process.

- a. Investigating (Reviewing the end to end process)**
- This involves the identification of those processes that require improvement. Specific activities to be carried out here include:
- Defining the business issue(s);
 - Ensuring senior management commitment;
 - Creating a project management structure;
 - Selecting and prioritising areas in finance to be investigated;
 - Documenting existing finance processes;



- Researching and identifying best practices in finance; and
 - Assessing current staff skills and competencies.
- b. Planning**
- This involves defining the objective of the process improvement effort and linking them to the strategic objectives of the organisation. It involves a detailed review of the cost and benefit of the proposed improvements and definition of an implementation path for the organisation. Activities undertaken at this stage include:
- Developing a future vision for the accounting function;
 - Creating a strategy for change;
 - Developing a business case;
 - Planning for the transition; and
 - Building momentum for the change.
- c. Implementing**
- This is the final stage of process improvement. It is the execution of the process improvement plan on the selected accounting processes. This involves five major activities as follows:
- Assigning process responsibility and organising the process-improvement team(s);
 - Creating a prototype of the proposed process;
 - Establishing a human resources strategy for accounting, including training programs to upgrade skills and competencies of existing staff;
 - Rolling out the new program; and
 - Monitoring actions and results of the accounting process improvement.

5.3 SOME PROCESS IMPROVEMENT METHODS AND THEIR APPLICATION TO ACCOUNTING

Table 2

Waste	Application to Manufacturing	Application to Accounting
1. Transporting Items	Relocating Inventory	Printing reports and retrieving them from printers; moving files around departments
2. Inventory	WIP for inspection	Requests for funds awaiting approval
3. Waiting	Work in process materials	Invoices waiting to be processed in batches
4. Motion	Transferring materials to the next processing unit	Improper filing of documents
5. Talent	Using an experienced maintenance associate to sweep floors	Using a qualified accountant for work a technician can perform
6. Over Production	Producing more than the requested products	Producing irrelevant reports that will not be useful for making decisions
7. Over Processing	Multiple inspections	Producing complex reports outside the scope of the client's need
8. Defects	Defective parts	Error in Data outputs and inputs

5.3.1 Six-Sigma

Six-Sigma is a methodology used by organisations to measure and improve the performance of their processes and systems by measuring how far a given process deviates from perfection and devising ways to improve and control the performance of these processes.

Although Six-Sigma methods initially originated in the manufacturing arena, organisations have discovered new ways to apply these methods in other functional areas such as accounting function.

The key to applying Six-Sigma in the accounting department is to understand customer requirements, the processes needed to meet these requirements and to recognise gaps or opportunities for improvement.

The primary framework used to implement Six-Sigma is the DMAIC framework.

- **Define** specific goals to achieve outcomes, consistent with customers' demand and business strategy.
- **Measure** reduction of defects.
- **Analyse** problems, cause and effects must be considered.
- **Improve** process on bases of measurements and analysis.
- **Control** process to minimise defects.

5.3.2 Lean Management Principles

Lean is a continuous business process improvement method with the primarily objective of reducing waste and creating more value for all customers (internal and external) along the value chain of the organisation. This lean model is based on three principles:

- a. Identification and Elimination of Waste of Resources: Cycle time, labour, materials and energy.
- b. Making processes run more effectively.
- c. Understanding the needs of the customers and delivering more value to them.

By defining waste as any activity that takes time, resources or space, but does not add value to the product or service, the Lean model groups waste into 9 categories. The **Table 2** above shows the 9 categories of waste in manufacturing and how they can be applied in accounting.

The accounting and finance function in most organisations is often characterised with reams of unread financial reports, unused forecasts and loads of procedures and activities which are time wasting and do not add value to their internal customers.

All of these amount to a waste of resources and applying Lean principles to accounting will focus on eliminating all sources of waste at every level of the value chain of the accounting function.

5.3.3 EXAMPLES OF APPLICATION OF LEAN ACCOUNTING PRINCIPLES TO ACCOUNTING ACTIVITIES

By applying lean principles to accounting processes on a continuous basis, the organisation will successfully eliminate wasteful transactions and focus on maximising value to customers (**Table 3**).

6. CONCLUSION

The accounting function in organisations has undergone transformational changes in recent times both in the dimensions of their business processes and the strategic role they play in the organisation.

Changes in the business environment (caused by technological innovation and globalisation) have led to the redefinition/ expansion of the management accountant's traditional roles from passive data collection and report generation activities to performance evaluation, strategic planning and decision making geared towards enabling the organisation meet its strategic objectives.

For the accounting department to function effectively in an active strategic role in the organisation, they need to focus on

Table 3

ACCOUNTING ACTIVITIES	LEAN OBJECTIVE TO BE ACHIEVED	SOME LEAN TOOLS
Transaction Processing	Improving transaction processes and reporting	<ul style="list-style-type: none">Value Stream MappingKaizen (Lean Continuous Improvement)Plan-Do-Check-Act (PDCA) problem solvingError Proofing
Internal Control and Risk Management	Strengthening Internal Control and Risk management processes	<ul style="list-style-type: none">Process Maps which show risks and controlsTransactionAdopting simple and clear inventory Valuation methods
Decision Support and Reporting	Approach strategic planning, controlling and communication from a lean perspective	<ul style="list-style-type: none">Value stream cost and capacity analysisPerformance measurements that track continuous improvement participation"Plain English" financial statementsInvestment in peopleListening to the voice of the customer

improving the efficiency of their processes and reconfiguring the frame of reference of those that work in accounting roles. They would need to adopt the continuous improvement management thinking as a step to evolving with the changing business environment.

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★ Akintola Owolabi and Osaretin Kayode Omoregie are of Lagos Business School, Pan Atlantic University.



EFFECT OF BOARD CHARACTERISTICS

On Financial Performance of Banks in Nigeria

By ORJI CHIDEBELU CHIKE



Abstract

The objective of the study is to examine the effect of board characteristics on the financial performance of banks in Nigeria using a panel data research design and a scope period of 2005 to 2014. The study used secondary data from Nigeria Stock Exchange Fact book and annual reports of banks. The variables for the board characteristics were board independence, board size, board members having (PhD) and board committee while proxies for financial performance were return on assets (ROA) and Earnings per share (EPS). The study made panel least square fixed effect model as data analysis method. The empirical results of the study revealed that board independence and board size, educational qualification of board members with PhD and board committee do not have any significant effect on ROA. Likewise, using EPS as financial performance measure, no significant effect was observed. However, board committee was found to be negative but significant with EPS. These findings provide some implication for future research on the effectiveness of board of directors on banks performance in Nigeria.

Keywords: Board Characteristics, Financial Performance and Corporate Governance.

1.0 INTRODUCTION

The Board of directors as a corporate mechanism plays a crucial role in the maximisation of shareholders' wealth by exercising control over the top management. However, in the recent past, the world experienced the failure of large corporations which have shaken the confidence of investors (Agrawal and Chadha 2005). There are cases of Enron, AIG, Healthsouth, Tyco, Worldcom, Parmalat, Zerox and Maxwell Communication, amongst others. The failures of these big corporations were attributed to weak corporate governance and this has brought to fore the importance of corporate governance and in extension the role of directors (CBN Code, 2006). Thus corporate governance is seen as a system whereby the affairs of companies are directed and controlled by those charged with the responsibility (Asein, 2004).

In order to address the lack of confidence on investors, various government regulatory bodies and international organisations such as United Nations (UN) and organisation for Economic Cooperation and Development (OECD) have embarked on overhauling the corporate governance mechanism. This led to the introduction of legislations and guidelines on corporate governance also known as Code of Best Practices (Lawal, 2012). In US for instance, the Sarbanes – Oxley Bills (Corporate Oversight Bill) enforces corporate rules on public companies listed on the US Exchange. Likewise, the New York Exchange (NYSE) and NASDAQ embraced new corporate as regards publicly quoted companies (Agrawal and Chadha, 2005). The UK government set up various committees to make recommendations on the best corporate practices such as the Lord Cadbury Report (1992), Greenbury

Report (1995), Hampel Report (1998), the Turnbull Report (1998), the Higg's Report (2002) and the Smith Report (2003).

The case is not different in Nigeria. The post consolidation of banks led to the failure of some banks. The case of Oceanic Bank is still fresh in mind. These failures occurred in spite of report by the Securities and Exchange Commission on the existence of code of corporate governance. A survey carried out by the Nigerian Securities and Exchange Commission which was published in April 2003, reported that 40% of the companies, banks inclusive, quoted on the Nigeria Stock Exchange had recognised codes of corporate governance in place. It reported that corporate governance was at the early stage. Furthermore, poor

corporate governance was identified as responsible for the financial sector (banking sector) distress (the CBN Code, 2006). From the survey, it can be deduced that corporate governance was virtually inexistent since half of the companies does not have functional codes of best practices. First Bank of Nigeria stated under its corporate governance that the global financial crisis revealed that compliance with the letter of the principles of corporate governance did not guarantee good corporate governance in practice (FBN Plc Annual Report, 2011). However, in big corporations that failed, as previously mentioned above, governance that seemed to be good on paper did not actually do anything that provide cover for weak board oversight, incompetence and fraud. The lesson learnt is that corporate governance starts and ends in the boardroom (FBN Plc Annual Report, 2011). The board has been identified as key component of corporate governance. It is responsible for the maximisation of shareholders wealth. The importance of the board was confirmed by the National

"In big corporations that failed, governance that seemed to be good on paper did not actually do anything that provide cover for weak board oversight, incompetence and fraud. The lesson learnt is that corporate governance starts and ends in the boardroom. The board has been identified as key component of corporate governance. It is responsible for the maximisation of shareholders wealth"

Committee set up by the Securities and Exchange Commission in 2008 to review the 2003 Code of Corporate governance for Public companies in Nigeria where it places the responsibility for ensuring good corporate governance in companies on the board. For efficient and effective discharge of this responsibility, the committee recommended that board should be composed in a way to ensure diversity of experience without compromising integrity, independence, etc. In addition, the Board should comprise of mix executive and non-executive directors and that the Board should be independent of management to enable it carry out its oversight function in an objective and effective manner. Moreover, the committee recommended that the position of Chairman of the Board and Chief Executive Officer (CEO) be separated and held by different individuals. Lawal (2012) stated that majority of code of corporate governance practice focused attention on board composition as way of ensuring board effectiveness. The Board of directors' effectiveness as shareholders in ensuring efficient monitoring mechanism depended on whether the board consists of proper composition, appropriate size and leadership configuration.

1.1 Statement of Problem

Board independence refers to a corporate board that has a majority of independent outside directors compared to an inside dominated board. An outsider dominated board is believed to be more vigilant in monitoring managerial behaviours and decision making of the firm. However, having an independent board alone may not be sufficient to guarantee good corporate governance control. It is likely that some independent board members might be brought in to serve as token or window dressing in order to fulfill the minimum regulatory requirements. Empirical results have revealed mixed findings among researchers.

There have been conflicting empirical results on the effect of board size on firm's performance. While some researchers have found that bigger board size influence performance, others found that small board size influence the performance of firm. It is yet to be resolved on how board size affects performance and this study is an attempt to consider whether large board size affects performance of banks.

It is expected that the presence of qualified board members with PhD will have enough knowledge base by understanding of problems and how to solve them (Bathula, 2008). Board with a high educational qualification will bring about innovation, experience and sound judgments for effective decision making (Bathula, 2008). It is likely that boards with lower qualification of member might not be able to bring out ideas and innovation that will enhance firm's performance. Empirical results on the effect of educational qualification especially PhD qualification on firm's performance has been scanty. Banks are expected to have board committee that assists in monitoring and supervising.

The size of board committees matters a lot as board committees increase in number, there are tendencies that they might be duplicating functions resulting in low effectiveness. Some board committees are composed just to fulfill regulatory requirements even though firms may not have capacity to pay. The study is therefore an attempt at providing evidence on the effect board characteristics would have on the performance of banks in Nigeria.

1.2 Research Questions

- To what extent does board characteristics affect return on assets?
- To what extent does board characteristics affect Earnings Per Share (EPS)?

1.3 Objectives of the Study

The major objective of this study is to examine the effect of board characteristics on financial performance of banks in Nigeria. However, the specific objectives of the study are:

- To investigate the effect of board characteristics on return on asset.
- To examine the effect of board characteristics on earnings per share.

1.4 Hypotheses

- H_{01} : Board characteristics do not have any significant effect on return on asset.
- H_{02} : Board characteristics do not have any significant effect on earnings per share.

2.0 LITERATURE REVIEW

The literature review that followed was broken into three heads. These include conceptual framework, theoretical framework and empirical framework.

2.1 Conceptual Framework

2.1.1 Board Characteristics

Board Characteristics are measured in terms of different degrees of heterogeneity (Paul, Ohiokha and Ohiokha, 2011). It normally concerns issues related to board independence (including independence of board committee), diversity (firm and industry experience, functional backgrounds, etc) of board members, board size and CEO duality. However, for the purpose of this study, the following conceptual headings under board characteristics will be looked into.

i. Board Independence

Boards are composed of executive and non-executive directors. Executive directors are the dependent (inside) directors and non-executive are the independent (outside) directors. Board independence therefore refers to corporate board that has a majority of independent outside directors compared to the insider dominated board. An independent board has no material connection with the organisation (Aamir and Sajid, 2012; Lawal, 2012; Abidin, Nurmala and Kamaruzuman, 2009). Agency theory suggests that boards composed mostly by outside directors will monitor the selfish interest of managers, thus agency loss will reduce (Kiel and Nicholson, 2003; Abidin *et al.*, 2009). The presence of independent outside director would help monitor managerial behaviours and decisions. On the other hand, stewardship theory lends support to majority of inside directors on the board because inside directors will want to maximise the wealth of shareholders which will lead to better corporate governance (Kiel and Nicholson, 2003). The proponents of this theory argue that information asymmetry is the reason for preferring more inside directors. They state that because inside directors are involved in day to day running

of the organisation, they have more information and better understanding of the organisation and therefore will make good decisions (Paul *et al.*, 2011).

ii. Board Size

Board size represents the number of directors on the board (Lawal, 2012). Literatures on board size show argument for and against large board and small board. Agency theory lends support to larger board. It is argued that the more the board, the greater the number of members that monitors the management decisions and actions (Kiel and Nicholson, 2003), and also manage work load of board (Aymen, Mohamed, and Abderrazak, 2014). Resource dependency theory also argues in favour of large boards. It posits that large board creates opportunity for external links for organisations to access scarce resources (Kiel and Nicholson, 2003). In terms of board diversity, advocates of large board suggest that they ensure there is mix of experience, skills, genders, nationality, innovation, creativity (Aymen *et al.*, 2014; Hermalin and Weisbach, 2003). On the other hand, some researchers argue against large board and rather favour small board. Aymen *et al.* (2014) argue that large board member can bring about agency loss as directors may comprise. Jensen (1993) argues that too large a board makes it look like a ceremonial role. Others argue that large board lacks coordination, while Lorch and Lipton (1992) state that having large board leads to time wasting in their deliberation. Proponents of small board argue that it will bring about familiarity among members, ease of communication, manageability of the board, quick decision making (Hermalin and Weisbach, 2003; Vafeas, 2000).

In terms of appropriate size, Jensen (1993) recommends around eight directors as anything above it affects board effectiveness. Lorch and Lipton (1992) recommend seven to eight directors; Shaw (1981) recommends five. Other countries reports and guidelines like Canada Toronto Stock Exchange Committee Report (1994) suggest ten to sixteen with board to determine; Australian Bosch Report (1995) suggests nomination committee to devise criteria (Kiel and Nicholson, 2003). In Nigeria, the Stock Exchange Commission (SEC) Code (2003) as reviewed in 2008 recommends at least five members while the Central Bank of Nigeria (CBN) Code (2006) suggests maximum of twenty directors.

iii. Educational Qualification

Educational qualification of board members is one of the important aspects of board characteristics which have not been given attention. Bathula (2008) states that educational qualification of board members is crucial in decision making process. Generally, it is believed that a holder of PhD will have understanding of problems and offer solutions. Cox and Blake's study (as cited in Bathula, 2008) posit that board members having good educational qualification will be more involved in problem solving. For this to happen, it requires board members to exhibit high level of intellectualism, experience and sound judgment (Bathula, 2008). Therefore, it is expected that board members having more PhDs will influence the performance of firm than those without PhDs. Bathula (2008) finds that board members having PhD did not influence firm performance.

iv. Board Committee

Code of corporate governance for public companies 2003 states that board is to determine the extent of its duties and responsibilities through committees. It should determine the number and composition of such committees and that each committee comprises of the relevant skills and competences. Moreover, only directors should be members of board committees; however, senior management may be in attendance. Furthermore, boards are to ensure that committees are provided with all important information and committees should be free to seek independent professional advice at the expense of the company subject to the approval of the board. Apart from the audit committee required by Company and Allied Matters Act (CAMA), the board is to establish a governance/remuneration committee and risk committee and other committees as the board deems fit depending on the size, needs or industry requirements of the firm. Accordingly, the CBN Code (2006) suggests as minimum the following board committees: Risk management committee, audit committee, and the credit committee. Other committees include information technology strategy committee, board finance and general purpose committee and board human resources and nomination committee.

2.2 Theoretical Framework

The theories to be used to explain board characteristics are Agency theory, Stewardship theory and Resource Dependency theory.

2.2.1 Agency Theory

Agency theory looks at how to ensure that agents (executives) act in the best interests of the principals (owners) of an organisation (Agency Theory, 2012). The separation of ownership and control create conflicting goals between the principal and the agent. The agent is seen as being selfish and opportunistic (Paul *et al.*, 2011) and will have diverse goals different from the principal. Chen (2014) and Paul *et al.* (2011) argues that the agents who control organisation do not serve the interest of the owners but rather pursue their self interest to the detriment of the owners. The theory concerns itself in the alignment of the interest of the principals with that of agent. For effectiveness of the board, there is need to put in place adequate monitoring and control mechanism so as to avoid conflict of interest between shareholders and management (Kiel and Nicholson, 2003). Stiles and Taylor (2001) state that the theory recognised the role of board as an instrument to subdue managerial opportunism. Agency theory therefore recommends that board should have majority of independent directors (outside non-executive), the position of Chairman and CEO be held by different persons and larger board size for effective performance (Yahaya, 2013).

2.2.2 Stewardship Theory

Unlike agency theory that views managers as opportunistic and selfish (Chen, 2014; Lawal, 2012), stewardship theory according to Donaldson and David (1991) views managers as good steward of organisations they represent and are not motivated to work by individual goals rather they are

motivated by desire for achievement, altruism and respect (Chen, 2014; Lawal, 2012). This theory recognises directors as trustworthy and therefore can be trusted with the resources of the organisation (Kiel and Nicholson, 2003; Lawal, 2012). According to the proponents of this theory, they argue that because the executive directors understand the organisations more than the non-executive, and also the executive directors make superior decisions; they would maximise shareholders' wealth which would lead to better corporate performance. They recommend that board should have more dependent directors for effective and efficient decision making while the position of CEO and chairman of the board be held by one leadership for better corporate performance. However, under this theory, the board's role is focused on formulation of strategic policy.

2.2.3 Resource Dependency Theory

Resource dependency theory sees organisation as an open system that has links with its environment (Yahaya, 2013; Hilman, Cannella, and Paetzold, 2009; Cannella, and Paetzold, 2000). Pfeffer and Salancik's study (as cited by Kiel and Nicholson, 2003) state that the board is the link between the organisation and the external resources needed by the organisation to increase its performance. The boards' role is to use their external contacts to bring resources that will improve the organisation. Resource dependence theory therefore posits that larger boards in organisation will bring about opportunity for more links and access to resources (Kiel and Nicholson, 2003). The theory, according to Yahaya (2013), also recommends that board composition should be for directors that have rich resources.

2.3 Empirical Review

Vefas (2000) examined the relationship between board structure and corporate performance for a sample of 307 US corporations using accounting measures. The study found that board composition in terms of proportion of executive directors or non-executive directors on board is not associated with performance. Theo *et al.* (2001) using data for 1996 On 94 Dutch listed non financial manufacturing firms analysed the relationship between performance and board composition. They found negative between the size and composition (number of outsiders) of the supervisory board and performance. Bathula (2008) examined the relationship between board characteristics and firm performance evidence from New Zealand. The study used secondary data taken from publicly listed firms on New Zealand stock exchange during the year 2004-2007, and analysed using a firm unit of analysis. Empirical results showed that CEO duality was positively associated with firm; PhD qualification was negatively associated with the firm performance while board size was positive and significantly related with firm performance. Directors' ownership was negative and marginally significant to performance. Abidin *et al.* (2009) examined the association between board structure and corporate performance where performance was defined as the value added efficiency of the firm's physical and intellectual resources. Based on sample of 75 listed companies on Bursa Malaysia, they found that board composition and board size had a positive impact on firm performance. Van-ness *et al.*

(2010) examined the relationship between board composition and corporate performance for sample of 200 US firms chosen from S&P 500 using accounting and market base measurement. The study showed board composition in terms of proportion of inside or external directors on board was not associated with performance. Ammar *et al.* (2013) researched on corporate governance and performance, empirical evidence from textile sector of Pakistan. Out of 183 firms listed at KSE in textile sector, 160 companies were selected as sample for the study excluding 23 firms due to non availability of data. Empirical results showed that board size and firm age had a positive significant impact on return on asset (ROA). On the other hand, CEO duality and non-executive directors (NED) had a strong negative association with ROA while firm size (FS) was not affected by ROA. Apart from CEO duality, other variables were found to have a positive relationship with ROE. For market to book value (MB), NED, CEO duality and FS had a negative significant relationship with MB while BS, FS showed a strong relationship with MB. Except for BS and FS, all other variables namely NED, CEO duality and FS had a negative relationship with Tobin's Q. in overall, there was a positive relationship between corporate governance and mechanism and firm performance in textile sector of Pakistan. Paul *et al.* (2011) examined the impact of board composition on corporate performance for a sample of 38 firms during the 2009 financial year using accounting and market measures. They found no significant relationship between board composition and any of the performance measures. Thus they concluded that outside non-directors do not create any economic value. Ammar *et al.* (2014) investigated whether board characteristics affected firm performance for a sample of 40 French companies listed on the SBF for the period 2020-2009 using accounting and market base measurement. The findings showed that board structure was a determinant of corporate performance. However, Aamir *et al.* (2012) investigated the effect of board composition on firm's performance using a sample of 91 listed companies in Pakistan at Karachi Stock Exchange index. They employed ROA, ROE as accounting measurement and Tobin's Q as market measurement. They defined board composition as independent directors and found that having independent directors on the board showed greater performance. Johl *et al.* (2015) examined the relationship between board characteristics and firm performance evidence from Malaysia public listed companies. Board independence, board size, board meeting and director's accounting expertise were used as proxies for board characteristics while return on assets represented firm performance. The findings showed that board independence was negative and insignificant at 5% level, board size and director's accounting expertise were positive and significant at 5% level, whereas board meeting was negative and significant at 5% level.

3.0 METHODOLOGY

3.1 Data

The study made use of secondary panel data obtained from Nigeria Stock Exchange (NSE) fact book and annual report of banks from Securities and Exchange Commission (SEC) Onitsha.

3.2 Sample size and Sampling Technique

A sample of 15 listed Nigerian banks on the NSE over a

Table 4.1:
Descriptive Statistics of Independent and Dependent Variables

	BIND	BSIZE	PhD	BCOM	ROA	EPS
Mean	59.61333	13.90000	1.880000	5.280000	2.930600	91.79480
Median	57.00000	14.00000	2.000000	5.000000	1.945000	45.00000
Maximum	100.0000	20.00000	5.000000	9.000000	29.64000	1251.000
Minimum	42.00000	7.000000	1.000000	1.000000	0.010000	0.010000
Std. Dev.	10.92119	2.849114	0.911669	1.433632	4.064551	145.8100
Skewness	1.359675	-0.424516	1.198335	0.103905	4.277110	4.690451
Kurtosis	5.366700	2.802044	4.342558	2.728803	23.75598	33.23837
Jarque-Bera	81.22584	4.750269	47.16553	0.729578	3149.908	6264.751
Probability	0.000000	0.093002	0.000000	0.694343	0.000000	0.000000
Sum	8942.000	2085.000	282.0000	792.0000	439.5900	13769.22
Sum Sq. Dev.	17771.57	1209.500	123.8400	306.2400	2461.566	3167821.
Observations	150	150	150	150	150	150

Source: Computed by the author from data set using Eviews 7.0

period of 10 years; i.e. 2005 to 2014 was used. Non-probability sampling technique in the form of availability sampling method was used, as only banks listed on NSE were available as at the time of the study.

3.3 Variable Measurement

The study employed accounting based and market based measures of performance; ROE and Tobin's Q. Tobin's Q is expressed as adjusted Q by dividing the year-end market capitalization by book value of total assets following the works of Tukur and Bilkisu (2014). ROE was measured as net income divided by total equity following the work of Dibia (2014). Board independence was measured as the percentage of independent (non-executive) directors on the board (adapted from the works of Ammari *et al.*, 2014, Abidin *et al.*, 2009). Board size was obtained as the number of directors sitting on the board in a financial year (adapted from the works of Ammari *et al.*, 2014; Tukur and Bilkisu 2014; Abidin *et al.*, 2009, Kiel and Nicholson, 2003). PhD was measured as the number of board members with PhD present on the board following the work of Bathula (2008). In his study, a natural logarithm was taken after adding 1 to all firms to meet statistical requirements of normal distribution. However, this study used the number of board members with PhD in each board of banks. Board committee was obtained as the number of board committees of each bank in a financial year (adapted from the works of Carter *et al.*, 2007).

3.4 Method of Data Analysis

The study made use of descriptive and panel regression analyses. The descriptive analysis was used to summarise and describe the data. However, the panel regression was used in explaining the effect of board characteristics on financial performance. The panel regression model applied was the panel least square fixed effect estimator as it was more robust than random effect estimator.

3.5 Model Specification

The model for this study was adapted from the work of (Dibia, 2015). It specified as follows:

$$COP = \beta_{0i} + \beta_1 BC + \varepsilon_i$$

However, the model was re-specified to examine the effect of board characteristics on corporate performance:

$$ROA = \beta_{0i} + \beta_1 BIND_i + \beta_2 BSIZE_i + \beta_3 PhD_i + \beta_4 BCOM_i + \varepsilon_i$$

$$EPS = \beta_{0i} + \beta_1 BIND_i + \beta_2 BSIZE_i + \beta_3 PhD_i + \beta_4 BCOM_i + \varepsilon_i$$

Where COP = Corporate performance, BC = Board characteristics, ROA = Return on asset, Earnings per share = EPS, β_{0i} = intercept coefficient, $\beta_1, \beta_2, \beta_3$ = parameters for the explanatory (independent) variables, BIND = Board independence, BSIZE = Board size, PhD = Board members with PhDs, BCOM = Board committee.

Table 4.2:
Regression Result Hypothesis 1

Dependent Variable: ROA				
Method: Panel Least Squares				
Date: 11/30/17 Time: 07:52				
Sample: 2005 2014				
Periods included: 10				
Cross-sections included: 15				
Total panel (balanced) observations: 150				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
BIND	0.052377	0.027690	1.891568	0.0608
BSIZE	-0.315983	0.167716	-1.884037	0.0618
PHD	-0.239651	0.435606	-0.550156	0.5831
BCOM	-0.447116	0.286382	-1.561255	0.1209
C	8.297917	2.965608	2.798049	0.0059
Effects Specification				
Cross-section Fixed				
R-squared	0.191962	Mean dependent var		2.930600
Adjusted R-squared	0.080934	S.D. dependent var		4.064551
S.E. of regression	3.896601	Akaike info criterion		5.675982
Sum squared resid	1989.039	Schwarz criterion		6.057329
Log likelihood	-406.6986	Hannan-Quinn criterion		5.830911
F-statistic	1.728950	Durbin-Watson stat		1.926104
Prob(F-statistic)	0.041772			

Source: Research work 2017

4.0 EMPIRICAL RESULTS

4.1 Descriptive Statistics

The descriptive statistics of the parameters are shown in **Table 4.1** above. ROA had positive mean value of 2.930600 with maximum and minimum value at 29.64000 and 0.010000 respectively, while the standard deviation stood at 4.064551. The EPS had a mean value of 91.79840. The maximum and minimum values stood at 0.01 and 1251 respectively, while the standard deviation was 145.8100. BIND which is the percentage of non-executive (outside) directors to the total directors showed that on average, 60% of directors consisted of non-executive directors were 100% and 42% with standard deviation of 10.92119. the mean board size was about fourteen

(14) suggesting that banks in Nigeria have relatively moderate board sizes with a maximum board size of twenty (20) and minimum of seven (7) with deviation of 2.849114, implying that banks in Nigeria have relatively similar board sizes. The descriptive statistics for PhD showed that the mean value was 1.880000 with the maximum and minimum values at 5.0000 and 1.0000 respectively while the standard deviation had a value of 0.911669. BCOM which represented board committee showed that on average, banks in Nigeria have five (5) board committee while the maximum and minimum board committees of banks are nine (9) and (1) with standard deviation of 1.433632.

Table 4.2 above showed the panel regression analysis. As observed, the Panel LS (Fixed effects) estimation showed an R² value of 0.191962 which suggested 19.2% explanatory ability of the model for the systematic variations in the dependent variable, while 80.8% was unexplained. The F-stat (1.728950) and p-value (0.04) which is less than 0.05 indicated that the hypothesis 1, that board characteristics do not have any significant effect on asset cannot be rejected at 5% level of significance. The remaining percentage could be caused by other factors or variables not built in the model. For an evaluation of the effect of explanatory variables on return on asset, it was observed that BIND which represented the ratio of outside non-executive directors to the total number of directors was positive and insignificant. This meant that increase in the number of non-executive directors will add no economic value to banks performance.

This agreed with the findings (Mansur and Ahmad 2013; Paul *et al.*, 2011). The effect of board characteristics in the form of board size appeared negative and statistically insignificant at 5%. This meant that increased in board size had no effect on performance. This is inconsistent with the findings of (Johl *et al.*, 2015; Yusuf and Mesut, 2014; Adeusi *et al.*, 2013; Bathula, 2008) who found positive and significant relation. The effect of board characteristics in the form of board members with more PhD appeared negative and statistically insignificant at 5%. This showed that board members with PhDs did not influence performance as there could be other factors like gender, age, ethnicity and professional education that can impact on performance of banks. This agreed with the findings

of Bathula (2008) but contradicted the work of Johl *et al.*, (2015) who used directors’ accounting expertise as one of the proxies for board characteristics and found positive and significant effect on firm’s performance. Board committee appeared negative and insignificant at 5% level.

Table 4.3 above showed the panel regression analysis. As observed, the Panel LS (Fixed effects) estimation showed an R² value of 0.253301 which suggested 25.3% explanatory ability of the model for the systematic variations in the dependent variable within an adjusted value of 0.150701, while 74.7% was unexplained. The F-stat (2.468827) and p-value (0.00) which was less than 0.05 indicated that the hypothesis 2 that board characteristics do not have any significant effect on earnings per share cannot be rejected at 5% level. The remaining percentage could be caused by other factors or variables not built in the model. The D.W statistics of 1.520319 indicated the absence of serial correlation of the residuals in the model. For an evaluation of the effects of explanatory variables on return on asset, it was observed that BIND which represented the ratio of outside non-executive directors to the total number of directors is negative and insignificant. It showed that involvement of independent directors on the board has no effect on bank’s performance. This agreed with the findings of (Mansur and Ahmad 2013; Paul *et al.*, 2011). The effect of board characteristics in the form of board size appeared negative and statistically insignificant at 5%. This was inconsistent with the findings of (Johl *et al.*, 2015; Yusuf and Mesut, 2014; Adeusi *et al.*, 2013; Bathula, 2008) who found positive and significant relation. The effect of board characteristics in the form of board members with PhD appeared positive and statistically insignificant at 5%. This showed that board members with PhDs did not influence performance as there could be other factors like gender, age, ethnicity and professional education that can impact on performance of banks. Board committee (BCOM) appeared negative and significant at 5% level showing that the more number of board committees banks have, it has an inverse effect on banks performance.

5.0 Conclusion

The objective of this study is to examine the effect of board characteristics on financial performance of banks in Nigeria. The empirical results showed that board independence, board

Table 4.3:
Regression Result Hypothesis 2

Dependent Variable: EPS				
Method: Panel Least Squares				
Date: 11/30/17 Time: 08:02				
Sample: 2005 2014				
Periods included: 10				
Cross-sections included: 15				
Total panel (balanced) observations: 150				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
BIND	-0.017040	0.954886	-0.017845	0.9858
BSIZE	-1.528304	5.783708	-0.264243	0.7920
PHD	12.92435	15.02190	0.860367	0.3912
BCOM	-24.59593	9.875927	-2.490493	0.0140
C	219.2043	102.2693	2.143404	0.0339
Effects Specification				
Cross-section Fixed				
R-squared	0.253301	Mean dependent var		91.79480
Adjusted R-squared	0.150701	S.D. dependent var		145.8100
S.E. of regression	134.3747	Akaike info criterion		12.75704
Sum squared resid	2365408.	Schwarz criterion		13.13838
Log likelihood	-937.7777	Hannan-Quinn criterion		12.91197
F-statistic	2.468827	Durbin-Watson stat		1.520319
Prob(F-statistic)	0.001774			

Source: Research work 2015

size, educational qualification i.e. board members with PhDs and board committee do not have any significant effect on ROA and EPS. However, board committee was found to be negative and significant with EPS. The overall result showed that board characteristics do not improve performance of banks in Nigeria. However, there may be other board characteristics not included that could have effect on performance. For instance, the appraisal of the effectiveness of boards and individual director’s thorough quality decisions and contribution they make in their roles and responsibilities.

6.0 Recommendation

To this end, this study therefore recommends quarterly appraisal of the board activities, its roles and responsibilities as a whole and at board committee level in order to actualise

performance.

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★ Mr. Orji Chike contributed this article from Umuahia, Abia State, Nigeria.

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JOHN I. EVBODAGHE MBA, FCA
Registrar/Chief Executive
Plot 18 Idowu Taylor Street,
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TEL: 00190200567
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