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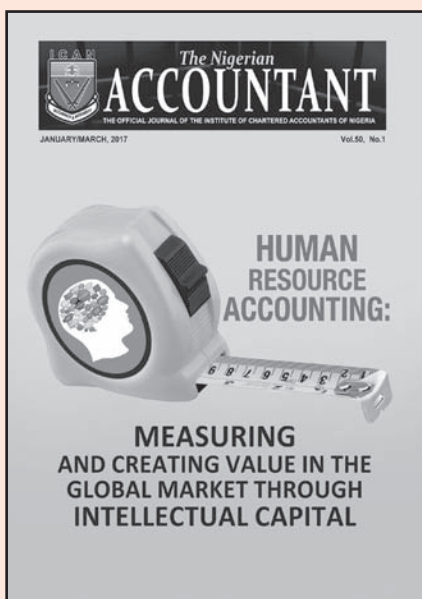
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THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA

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To be a leading global professional body.

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

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From The Editor

Intellectual capital is the effort of workers towards the growth of the organisation in terms of recruitment expenditure, training, remuneration and human development. However, the measurement and recording of intellectual capital in an organisation is the basis for human resource accounting. The ability of organisations to measure and record intellectual capital in the global market has become problematic in respect of the adequacy of value creation and valuation.

In view of this, Dr. Ben Anuonye in our lead article entitled *Human Resource Accounting: Measuring and Creating Value in the Global Market Through Intellectual Capital* presented an empirical study on the effect of intellectual capital in the financial performance of firms, in a global economy, using insurance firms as a measurement variant.

He dissected the nitty-gritty of human resource accounting and described it as the greatest asset of any service industry, adding that Intellectual Capital also plays a significant role in the performance of such industries in the world economy.

Recently, the Doyen of Accountancy in Africa, Mr. Akintola Williams was honoured. Akintola Williams Foundation (AWF) was established to celebrate the noble role the living legend and epitome of integrity played in the accounting profession in particular and the country's economy as whole.

The inaugural lecture of this Foundation with the theme: *Nigeria Yesterday, Today and Tomorrow: Governance and Accountability* was delivered by the former President, Chief Olusegun Obasanjo at Muson Centre, Onikan, Lagos. The details of the event and other interesting articles are reported in this edition for readers delight.

On the health page, a write-up was published on a very common ailment, sore throat, which many do not know its causes and cure. Our readers will be opportune to read the full details about the symptoms of this disease and what to do when it comes.

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

SORE THROAT:

CAUSES, DIAGNOSIS & TREATMENT

What is a Sore Throat?

A sore throat refers to pain, itchiness, or irritation of the throat. You may have difficulty swallowing food and liquids, and the pain may get worse when you try to swallow. Throat pain is the primary symptom of a sore throat. However, other symptoms may include:

- A dry throat.
- Swollen glands in the neck.
- White patches on the tonsils.
- Hoarseness.

A sore throat can affect people of all ages, but the risk of a sore throat is higher in some people. This includes:

- Children.
- Smokers.
- People with allergies.

- People with a compromised immune system.

Sharing a close space with others also increases the risk of upper respiratory infections that can initially present as a sore throat.

Visit your doctor if your sore throat lasts longer than a week and if it's accompanied by other symptoms, like a fever, rash, joint pain, or difficulty breathing. Treatments include gargling with warm salt water, throat lozenges, anti-inflammatory medicines, and other medications.

Causes of a Sore Throat

There are several causes of a sore throat:

Viral Infection

The majority of sore throats are triggered by a viral infection.

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These are infections caused by a virus, such as the cold or flu.

Other types of viral infections include:

- Mononucleosis, which is an infectious disease typically transmitted through saliva.
- Measles, which is a contagious illness characterised by a distinct rash and fever.
- Chickenpox, which is an infection that causes skin sores.
- Croup, which is an infection of the larynx.

Bacterial Infection

A bacterial infection can also cause a sore throat. These types of infections include:

- Strep throat, which is an inflammation of the throat caused by the *Streptococcus Pyogenes* bacteria.
- Diphtheria, which causes throat inflammation.
- Whooping cough, which affects the respiratory mucous membrane.

Environmental Factors

Not all sore throats are viral or bacterial. There are several other causes of throat pain:

- If you're allergic to mold, pet dander, pollen, or other irritants, exposure to these allergens can trigger postnasal drip. This is when excess mucus accumulates in the back of your throat. This accumulation can irritate your throat and cause pain or inflammation.
- Dry air can also make your throat feel raw and scratchy.
- Smoking cigarettes or exposure to cigarette smoke can trigger persistent sore throats.
- Yelling or too much talking can trigger throat strain.

Gastroesophageal Reflux Disease (GERD)

Gastroesophageal reflux disease (GERD) may also cause a sore throat. This is a digestive condition that occurs when stomach acid flows back into the esophagus. This condition causes an array of symptoms, such as:

- A sore throat.
- Hoarseness.
- Heartburn.
- Nausea.

Other Causes

In very rare cases, a sore throat may be a sign of HIV or throat cancer.

When to See Your Doctor

Most sore throats don't require medical attention. However, see your doctor if your sore throat lasts for longer than one week and if you experience any of the following:

- Difficulty breathing.
- Joint pain.
- Difficulty swallowing.
- An earache.
- A rash.
- A fever over 101°F.
- Bloody mucus.
- A lump in the throat.
- Hoarseness that lasts longer than two weeks.

How is a Sore Throat Diagnosed?

Determining the cause of your sore throat can help your doctor treat your symptoms. Your doctor will do a physical examination and examine your throat with a lighted instrument. They'll look for signs of inflammation or white patches, which might indicate strep throat. Your doctor will also feel your neck for swollen glands and check your breathing.

Because strep throat is a common cause of sore throats, your doctor may swab the back of your throat and examine the sample for *Streptococcus Pyogenes*. They may also run a blood test to determine whether you have a viral or bacterial infection.

If your doctor is unable to diagnose your sore throat, they'll refer you to an allergist or an ear, nose, and throat specialist. These specialists can determine whether allergens or a throat disorder is the cause of your sore throat.

Note that it can be difficult to diagnose a sore throat in infants and toddlers. In this age group, refusal to eat is a common sign of throat irritation.

How is a Sore Throat Treated?

The treatment for a sore throat depends on the cause. However, you can treat many sore throats at home. Home treatment options include:

- Gargling with warm salt water.
- Drinking plenty of warm fluids, such as teas, soup, and water.
- Avoiding allergens and irritants, such as smoke and chemicals.
- Taking throat lozenges.
- Reducing inflammation with ibuprofen or acetaminophen.

If a bacterial infection causes your sore throat, your doctor will prescribe a course of antibiotics to kill the infectious organisms. You should take your medication for 10 days or as prescribed by your doctor to treat the bacterial infection. A sore throat may recur if you stop treatment early.

If you have a viral infection, your doctor may want to let the virus run its course. During that time, they may prescribe medications, such as decongestants and pain relievers, to ease your symptoms. In some cases, your doctor may want to try an antiviral drug to fight the virus.

How to Prevent a Sore Throat

Many underlying causes of sore throats are infectious, and there are certain steps that can help you prevent future infection. Repeatedly washing your hands throughout the day kills germs and bacteria that can cause viral and bacterial infections.

Additional steps you can take to prevent a sore throat include the following:

- Don't share drinking glasses or utensils with others.
- Use hand sanitizers whenever soap and water aren't available.
- Limit contact with commonly touched surfaces.
- Reduce exposure to allergens, such as pollen, dust and mold.
- Avoid cigarette smoke.
- Keep a humidifier in your house to eliminate dryness. ●

* Culled from www.health.com

ICAN Bids Kuforiji–Olubi Farewell

The 52nd President of the Institute, Deacon Titus Soetan, the Governing Council, Past Presidents, Members and Staff on Tuesday, December 20, 2016 gathered at the Institute’s Secretariat in Victoria Island, Lagos to bid the first female President of the Institute, **Late Otunba Ayora Bola Kuforiji-Olubi, OON, BSc, FCA** farewell. Otunba Ayora who died on Saturday, December 3, 2016 was ICAN President from 1989-1990.

Speaking at the special Council meeting held in her honour, Deacon Soetan in his Eulogy described late Kuforiji-Olubi as an achiever who had many ‘firsts’ in her lifetime. According to Soetan, “The Institute of Chartered Accountants of Nigeria has lost its first female President. The organised private sector and the Nigerian Banking industry particularly United Bank for Africa (UBA) have lost a boardroom guru. Ogun State community is saying goodbye to one of its illustrious daughters. The Yoruba people and Nigeria will sorely miss this great nationalist and patriot,”

Late Kuforiji-Olubi, a banker of repute, an industrialist, a Chartered Accountant and Chartered Secretary was born on September 28, 1936. She graduated from the University of London in 1963 with B.Sc honours in Economics. She was a Fellow of the Institute of Chartered Accountants of Nigeria (ICAN) and a Fellow of several others including the Institute of Chartered Accountants, England and Wales (ICAEW), the British Chartered Institute of Company Secretaries, the Nigerian Institute of Management (FMIN) and a member of the British Institute of Directors.

Late Kuforiji-Olubi was the Institute’s first female Council member elected in 1979, and its first female President 1989-1990. She commenced her stint in the presidency with a vision to increase the resources and assets of the Institute. The first of its kind, on April 6, 1990, fearless but focused, she led a delegation of the founding fathers of ICAN with some key members to the office

of the then Head of State, General Ibrahim Badamasi Babangida (IBB). As a result of that visit, she achieved a significant increase in the Federal Government’s annual subvention to the Institute, a mission many would have thought to be impossible.

She also personally financed the initial stages of the



Otunba Bola Kuforiji-Olubi



ICAN President and Past Presidents with the family members of late Kuforiji-Olubi

computerisation of the Examinations Department in addition to the donation of the first set of computers. Further to a review of the Company and Allied Matters Decree CAMA 1990, in which it was found therein, that some provisions negatively impacted on members of the Institute, she also led a delegation to the office of the then Attorney-General of the Federation, Prince Bola Ajibola, SAN, to express objections and called for amendments to Sections 335 (1) and 359(2).

During her tenure as ICAN President, the experimentation to hold the Annual Accountants' Conference in Abuja took effect for the first time. It was an opportunity to enable participation amongst top government functionaries, and it has become a norm as many members now look forward to this great event in Abuja. It was during this conference that the professional qualification syllabus review, changing it to a four-part examination then, was put to the members and received their approval.

It was during her tenure that the Institute launched



ICAN President, Deacon Titus Soetan paying his last respect to late Kuforiji-Olubi

ICAN Research Foundation Fund for research into the Accountancy profession in Nigerian Universities and Polytechnics. Furthermore, it was during her Presidency that the Accounting Technicians Scheme (ATS) now ATS West Africa, following its creation during the Presidency of late Chief Folorunso Oke, FCA, commenced implementation and obtained a boost to its implementation when the Volkswagen Company of Nigeria Limited donated an 18-seater bus for the department's use.

Dr Kuforiji-Olubi was indeed a woman of many firsts. The one-time Honourable Minister for Commerce and Industry in the interim National Government of Nigeria in 1993 was the First Nigerian woman to be CEO of a multinational company (VYB Industries Limited, with British affiliates and first female Chairman of a public quoted company (Bewac Plc). She was the first Chairman of Ogun-Osun River Basin Development (1976-1980). She was widely recognised as a financial expert and industrialist who chaired and served on the boards of many other companies.



Chief Garrick Aghaowa

The Oldest ICAN Member, Pa Aghaowa is 100

The oldest living member of the Institute, **Chief Garrick Aghaowa** (MB 0003) is hundred years old and in celebrating this living legend, members of Benin and District Society of the Institute visited him on his birthday.

Pa Aghaowa is the first Cost Accountant in West Africa and pioneer Bursar of the University of Benin. He was among the 14 pioneer members of the Institute.

Still looking strong and elated, the centenarian expressed gratitude to almighty God for sparing his life and blessing him with good health. Recalling how he became educated at a time that going to school was difficult, Pa Aghaowa said it was an act of God.

"I believe that whatever a person would be in life has been arranged by God. It was my brother who was meant to go to school but God maneuvered things in my favour and I got a scholarship," he explained.

Though his education was briefly interrupted because the scholarship was terminated after the missionary who funded it left, his quest for education made him to proceed to Benin City where he found another benefactor who assisted him to continue.

Pa Aghaowa was at various times the first Chairman of Benin and District Society of ICAN, member of the defunct Bendel State House of Assembly and Acting Bursar at the University of Lagos.

It would be recalled that the Lecture Theatre donated by ICAN to the Accounting Department of University of Benin was named after Pa Aghaowa two years ago when he celebrated his 98th birthday.

The 50th President of the Institute, Mr. Chidi Ajaegbu at the commissioning of the building explained that the entire membership of the Institute owe it a duty to immortalise the pioneers who sacrificed so much to set the standards that the current members of the Institute are advancing.

AWF Inaugural Lecture: Obasanjo X-rays Benefits of Accountability in Governance

To appreciate the contributions of the doyen of accountancy in Africa and the internationally-acclaimed Chartered Accountant, Mr. Akintola Williams, the Board of Trustees of Akintola Williams Foundation organised an inaugural Lecture with the theme *“Nigeria Yesterday, Today and Tomorrow: Governance and Accountability”*.

The Lecture which was held at Muson Centre, Onikan, Lagos on Wednesday, November 23, 2016 was delivered by the former Nigerian President, Chief Olusegun Obasanjo. In his lecture, Obasanjo extolled the virtues of Akintola Williams as the first African to qualify as a Chartered Accountant and nationally-renowned epitome of integrity.

“Apart from him being the first African to qualify as a Chartered Accountant, he founded the first indigenous accounting firm in Africa, at the time the accountancy business was dominated by foreign firms. As some clips from his enviable biography goes, Mr. Akintola Williams played a leading role in establishing the Association of Accountants in Nigeria in 1960 with the goal of training accountants. He was the first President of the Association. He was a founding member and first President of the Institute of Chartered Accountants of Nigeria (ICAN),” Obasanjo expatiated.

Reflecting on the theme of the Lecture, Chief Obasanjo explained that good governance must embrace accountability, transparency and trust, adding that the major hallmark of good governance are transparency, accountability, adherence to the rule of law and responsiveness to needs and demands of the citizenry. According to him, accountability which is one of the cornerstones of good governance is the degree to which government has to explain or justify what it has done or failed to do.

“Accountability ensures that the actions and decisions taken by leaders, public officials or person in authority are open to guarantee that government initiatives meet their outlined aims and objectives and respond to the needs of the society. Accountability and transparency are



Former President Olusegun Obasanjo (middle); Mr. Akintola Williams; Mrs Olutoyin Olakunri; Chief Olu Akinkugbe (3rd left); Prof. Richard Anao (standing 1st right); ICAN President, Titus Soetan and other dignitaries at the event

intertwined. They both promote openness, truth, morality, free flow of information and forthrightness in the running of governmental affairs particularly the budget and financial aspects of government affairs,” he added.

He cautioned the federal government to stop giving excuses on its performance, saying there wouldn’t have been clamour for change if the hitherto situation in the country was rosy.

Earlier in her welcome address, the Chairman, Board of Trustees, Akintola Williams Foundation, Mrs. Olutoyin Olakunri



Dr. Shamsudeen Usman, former Minister of National Planning (left); Chief Olusegun Obasanjo; Obi of Onitsha, HRM Nnaemeka Achebe; and Prof. Richard Anao, former VC, Uniben

explained that the Foundation was set up as a mark of honour and recognition of the contributions of Mr. Akintola Williams to the development of Accountancy profession in the country and indeed Africa.

She further disclosed that the inaugural Lecture was in line with the second objective of the Foundation which aims to organise annual lectures on topical issues and promote public policy discussions.

In his own remarks, the chairman of the occasion, Obi of Onitsha, HRM Nnaemeka Achebe lauded the initiative of the founders of the Foundation, adding that honour must be given to Mr. Williams for his contributions to accountancy profession and economy of the country as a whole.

The AWF was inaugurated in 2016 to promote and advance education in the areas of professional accountancy, information technology, music, arts and culture; organise annual lectures on topical issues and promote public policy discussions; institute scholarship award on merit or need basis to intelligent and/or indigent students of the Institute and inculcate the spirit of humanitarianism, patriotism, cooperation and philanthropy among contributors, supporters and providers to the foundation in particular, members of the Institute, corporate organisations and Nigerians in general.

Soetan Admits 472 New Members into ICAN Fold

472 new members have been inducted into the membership of the Institute. At the induction ceremony held on November 9, 2017, the President, Deacon Titus Soetan noted that the whole essence of the induction was to introduce members to the ethics, mannerism and acceptable practices in the revered profession of Accountancy.

He advised the new members to strive at all times to adhere to the noble ideals of integrity, transparency and accountability, which have influenced the development of the profession globally. According to him, the virtues of the Institute must constantly be upheld.

“As Chartered Accountants, we must hold firmly to our main strengths, that is, the virtues of integrity and credibility on which our survival depends. This is a compelling mandate we must continue to discharge, because being the conscience of the nation, Accounting Professionals must strive to create oasis of sanity in their spheres of influence such that a virtuous society will emerge”, he declared.

Deacon Soetan further urged the new entrants to deliberately join the critical mass to support and sustain the on-going anti-corruption crusade by the government adding that all must stand up to be counted in this battle for the renaissance of our social values.



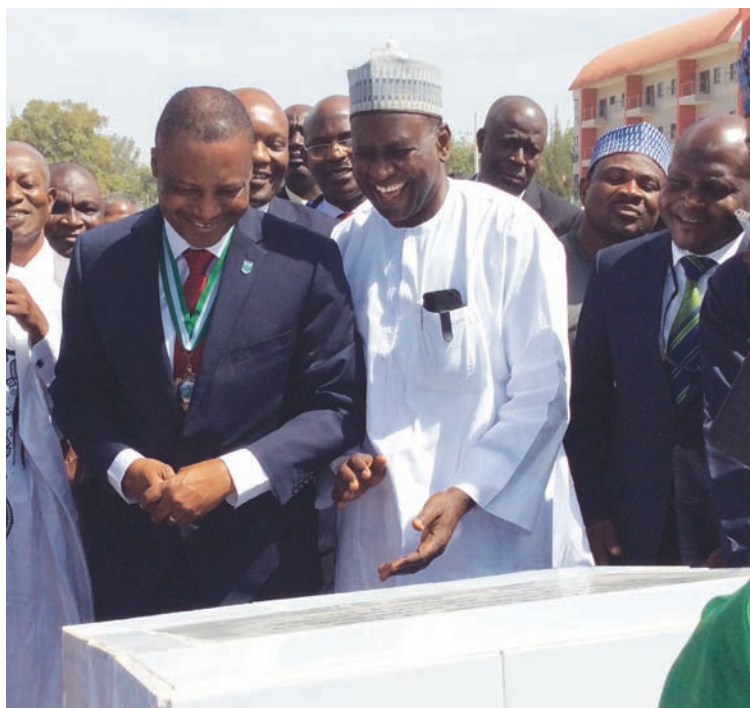
Past President of ICAN, Dr. Richard Uche (left); ICAN President, Deacon Titus Soetan; Immediate Past President, Otunba Olufemi Deru; and 2nd Deputy Vice President of ICAN, Mrs Uchenna Erobu at the induction

A Past President, Dr Richard Uche, who was the Special Guest of Honour while speaking at the event said it was imperative for new members to engage in continuing profession development such as the Mandatory Continuing Professional Education (MCPE) arranged by the Institute because it delivers benefits to them, the profession and the public.

He noted, “Continuing Professional Development ensures your capabilities keep pace with the current standards of others in the field. It ensures that you maintain and enhance the knowledge and skills you need to deliver a professional service to your customers, clients and the community. It also ensures that you and your knowledge stay relevant and up to date. You are more aware of the changing trends and directions in your profession”.



Cross-section of the inductees



ICAN President, Deacon Titus Soetan unveiling the cenotaph of the Lecture Theatre at Ahmadu Bello University, Zaria while the Vice Chancellor, Prof. Ibrahim Garba admires



52nd President, Deacon Titus Soetan performing the foundation laying ceremony at Olabisi Onabanjo University while Vice President, Mallam Ismaila Zakari (behind), Vice Chancellor, of the University, Prof. Sabur Adesanya and other dignitaries watch

ICAN Donates Lecture Theatres to ABU, OOU

The 52nd President of the Institute, Deacon Titus Soetan was in Zaria, Kaduna State and Ijebu Ode in Ogun State recently to lay the foundation of the Lecture Theatres donated to Ahmadu Bello University, Zaria and Olabisi Onabanjo University, Ago Iwoye respectively.

Speaking at the different fora, the President reiterated that the gesture was part of the Institute's resolve to contribute to the development of Accountancy education and profession in Nigeria. Deacon Soetan assured the Universities that the Lecture Theatres would be commissioned in April 2017.

The management of the institutions were full of gratitude to ICAN for the uncommon gesture.

ICSAN Honours Past President Adebayo

The Institute of Chartered Secretaries & Administrators of Nigeria (ICSAN) recently honoured a Past President of the Institute, Prince Joseph Akintunde Alaba Adebayo, FCA (ICAN President 1979-1980).

He was honoured for his pioneering role in the profession in Nigeria. Adebayo who is also a Past President of ICSAN was at the occasion recognised as the Doyen of Chartered Secretaries

and Administrators in Nigeria.

The award was conferred on him at ICSAN's Golden Jubilee celebration and Grand Ball held on Friday, November 18, 2016 at Eko Hotel, Victoria Island, Lagos. Apart from members of ICSAN honoured at the event, other professionals were honoured with the first-ever Honourary Fellowship Award of the Institute.

During Prince Adebayo's tenure as the 15th ICAN President, the Institute made tremendous progress and achievements. It



Prince Joseph Alaba Adebayo being presented his Award by the ICSAN President

was during his tenure that the position of Deputy Vice-President was created in ICAN.

The relationship between ICAN and the Institute of Chartered Accountants in England and Wales (ICAEW) was further strengthened during Prince Adebayo's tenure and he led ICAN team to the Centenary celebrations of the grant of Royal Charter to ICAEW in 1980.

Prince Adebayo was the first President to use the ICAN Secretariat at Idowu Taylor in Victoria Island to conduct Council meeting, as the Secretariat was commissioned in April 1979 while his investiture was in May 1979.

After several years of attempts, Prince Adebayo succeeded in getting the Institute's first code of ethics – an eight page document then entitled *"Professional Code of Conduct for Members"*.

2017 Elections: Council Declares 8 Vacancies

The governing Council of the Institute has declared eight (8) vacancies in preparation for the 2017/2018 Council elections.

According to Council Decision Extract from its January 19, 2017 meeting, three (3) of the existing vacancies are for Members-in-Practice, while five (5) are for Not-in-Practice.

However, the Council has appealed to all members to pay up all their outstanding subscriptions and update their current profiles in order to be eligible to nominate candidate, vote or be voted for.

The extract stated further that the deadline for payment of the 2016 subscription is Friday, March 31, 2017 while voting commences on Wednesday, May 10, 2017.



FCT Minister, Mallam Muhammad Musa welcoming ICAN President, Deacon Titus Soetan to his office in Abuja when ICAN team paid him a courtesy call



Chairman, Federal Inland Revenue Services (FIRS), Mr. Tunde Fowler; President, Institute of Chartered Accountants of Nigeria (ICAN), Deacon Titus Soetan; and Council Member ICAN, Haruna Yahaya during ICAN's visit to FIRS office in Abuja

Ayine Confirmed as Auditor-General of the Federation

The Senate has confirmed the nomination of a member of the Institute, **Mr. Anthony Mkpe Ayine** as the Auditor-General of the Federation.

It would be recalled that President Muhammadu Buhari had last year nominated Mr. Ayine to fill the post. Ayine was confirmed following the presentation of the report on his screening by the chairman of the committee on public accounts, Mr. Andy Uba.

Mr. Uba gave reasons for Ayine's recommendation and subsequent confirmation as being a man whose competence cannot be disputed, adding that Ayine had gone through the constitutional process, including writing and passing required test before he was nominated by the president.

Mr. Ayine hails from Bokalum, Boki Local Government Area of Cross Rivers State. He graduated with Bachelor's degree in Accounting from Ahmadu Bello University, Zaria in 1986 and obtained Masters degree in Business Administration (MBA) from University of Calabar in 1993.

His professional career is filled with sterling qualities quite early having passed the professional examinations of the Institute of Chartered Accountants of Nigeria (ICAN) in November 1998 and admitted Associate Member of the Institute (ACA) in 1999. He became a Fellow of the Institute in 2010.



Anthony Ayine

FG Appoints Sulaiman, Asapokhai as FRC Chairman and Executive Secretary

The federal government has appointed **Mr. Adedotun Sulaiman**, MFR, FCA (MB No. 2460) as Chairman of Board of the Financial Reporting Council (FRC) while **Mr. Daniel Asapokhai** (MB No. 10448) was appointed the Executive Secretary of the Council to replace Mr. Jim Obazee.

Mr. Sulaiman, served as Managing Partner of Arthur Andersen Audit and Management Consulting Practices. He also served as Country Managing Director of Accenture in Nigeria. He focused on assisting with exploring and developing business opportunities for Accenture in the rest of Africa and has over 25 years experience in transformational engagements in Strategic Plan Development, Organisation Design/Review, Financial and Performance Management, Human Performance Management and Leadership Development, Technology Planning, Process Re-engineering and



Adedotun Sulaiman

Business Ethics.

He joined Accenture in 1978 and during that time, he was involved as the Engagement Partner on several transformational engagements specialising on Strategy, Top Level Organisation Design, Corporate Governance and Strategic Human Resource Management.

Mr. Sulaiman has been the Chairman of InterSwitch Limited since April 2006 and serves as the Chairman of Mouka Limited. He serves as the Chairman of MoneyBox Africa Limited and Accenture. He served as Chairman of several organisations including IHS Towers NG Ltd., Secure ID Nigeria Ltd., Cadbury Plc and Nextzon Business Services Ltd.

He served as Chairman of Secure ID and Chairman of the Board of Governors of Greensprings Schools. He also served as the Chairman of Cornerstone Insurance Plc until January 5, 2017. He has been a Non-Executive Director of Cadbury Nigeria Plc since August 15, 2009. He is a seasoned Management & Strategy Consultant. He qualified as a Chartered Accountant of the Institute of Chartered Accountants of Nigeria in 1981. He obtained a First Class degree in Business Administration from the University of Lagos in 1975. Mr. Sulaiman attended Harvard Business School for the Programme Management Development in 1990.

Mr. Asopokhai was a Partner and a Financial Reporting Specialist at the PriceWaterhouseCoopers (PWC), Nigeria. He is a product of the University of Lagos and the University of Pretoria.

Recession: Soetan Counsels FG to Look Beyond Oil

The 52nd President of the Institute, Deacon Titus Soetan has called on the federal government to look beyond oil if the country is to quickly recover from the current economic recession.

Soetan made the appeal recently at Bowen University, Iwo, Osun State while delivering the maiden lecture of the Faculty of Social and Management Sciences on the topic *"The State of the Nigerian Economy: Strategies for Survival"*.

He traced the current problem of Nigeria to the discovery of crude oil and the boom of oil prices with resultant astronomical growth in oil revenue, which made successive governments in Nigeria to abandon the agricultural sector and focused solely on oil. "Agriculture had been permanently pushed to a distant background over the years with the bulk of the revenue of Nigeria coming from petroleum and currently accounting for about 80 percent of government revenue and 87 percent of government export receipts as at 2015. Nigeria had thus become a mono-economy depending solely on oil," he lamented.

He continued that though Nigeria reaped bountifully from oil resources, its economic performance was not anything to be proud of, as the enormous oil wealth reaped during the periods was not invested to build a viable industrial base for the country and for the launching an agrarian revolution to liquidate mass poverty.

In his own contribution, the President of the Chartered Institute of Bankers of Nigeria, CIBN, Professor Segun Ajibola also corroborated Soetan's stance that the country needs to look elsewhere for survival apart from oil revenue. He charged Nigerians to patronise some local items instead of imported ones if the nation's economy must improve. ●

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

Courtesy Visit to Past Presidents



ICAN President, Deacon Titus Soetan presenting a gift to Past President Joseph Alaba Adebayo, ICAN President (1979 - 1980) while the 1st Deputy Vice President, Alh. Razaq Jaiyeola watches



ICAN President, Deacon Titus Soetan presenting a souvenir to Past President Dolanimi Ogutuga, ICAN President (1983 - 1984)



ICAN President, Deacon Titus Soetan being welcomed by Past President Adeboye Badejo, ICAN President (1999 - 2000) to his house



With Past President Arthur Mbanefo, ICAN President (1978 - 1979) (2nd right); 1st Deputy Vice President, Alhaji Razaq Jaiyeola (2nd left); Mr. Tayo Phillips, Honorary Treasurer (right); and Mr. Chibuzor Noel Anyanechi, Council Member (left)



With Past President Idris Onaolapo Sulaimon, ICAN President (1981 - 1982) (right); Deputy Registrar (Technical), Mr John Ebodaghe (left); and Mr. Chibuzor Noel Anyanechi (Council Member)



With Past President Cecil Oyeniye Oyediran, ICAN President (1976 - 1977) (2nd right)



ICAN President, Deacon Titus Soetan with Past Presidents after Past Presidents' Luncheon in Lagos



With the first Secretary and Registrar of ICAN, Rev. Oluyomi Ladeinde during a courtesy visit by the President



Mrs. Comfort Eytayo, member of the Governing Council (left); Lisa of Ondo Kingdom, Chief Simeon Oguntimehin, ICAN President (1995 – 1996); Deacon Titus Soetan, 52nd President; Chief Dickson Alaribe, member of the Governing Council; and Mr. Modiu Olajuwon, Deputy Director, Members' Education & Training, all of the Institute of Chartered Accountants of Nigeria during a courtesy visit by the President to the Lisa of Ondo Kingdom

The President (2nd left); Past President Olusola Faleye, ICAN President (1982 – 1983) (middle); 1st Deputy Vice President, Alhaji Razaq Jaiyeola; Mr. Chibuzor Noel Anyanechi (Council Member); and Deputy Registrar (Technical), Mr John Ebodaghe (left)

FROM OTHER BODIES

IFAC Elects Rachel Grimes of Australia as President

The International Federation of Accountants (IFAC), the global organisation for the accountancy profession, has announced the election of **Ms. Rachel Grimes** from Australia as its President, for a two-year term, ending in November 2018. Ms. Grimes is IFAC's second female President.

Also, the global accountancy body has announced the election of **Professor In-Ki Joo** from South Korea as Deputy President.

In her acceptance speech, Ms Grimes said, "I am honoured to serve as IFAC's President at a time of great global challenges. There are also remarkable opportunities to strengthen the accountancy profession and further the adoption of global standards in the public interest." She continued: "As President, I look forward to working with our member organisations and other stakeholders as we continue to put trust at the heart of all we do and at the heart of the global economy."

Ms. Grimes is a Fellow of the Institute of Chartered Accountants in Australia and a Fellow of CPA Australia. She is Chief Finance Officer of Technology at Westpac, a multinational financial services firm, and has previously served as Director of Mergers and Acquisitions.

She brings more than 25 years of experience across the financial services sector, at Westpac/BT Financial Group as well as at PwC. She has served the Australian accounting profession for over a decade, having been elected in 2011 as President of Chartered Accountants Australia & New Zealand (formerly the Institute of Chartered Accountants in Australia) after serving on its Board since 2006.

An IFAC Board member since 2011, Ms. Grimes was elected Deputy President in 2014 and previously chaired IFAC's Planning and Finance Committee.

In-Ki Joo is Professor Emeritus of Accounting at the Yonsei University School of Business, after serving as Dean of various departments. He has served as President of a number professional institutions in Asia, notably the Confederation of Asian and Pacific Accountants, the Korean Accounting Association, and the Korean Academic Society of Business Administration.

He was a member of the Advisory Committee to the Republic of Korea General Audit Bureau and the Vice President, International Affairs, at the Korean Institute of Certified Public Accountants (KICPA). A member of both the American Institute of CPAs and KICPA, he received the Decoration of Excellent Achievement from

the President of Korea in 2004 and Honour from the Deputy Prime Minister and the Ministry of Finance and Economy in 2001. As an IFAC Board member since 2012, he has chaired the Governance Committee and served on the Nominating Committee. As Deputy President, he will chair the Planning and Finance Committee.

IAASB Working Group Seeks Input on the Growing Use of Data Analytics in Audit

The International Auditing and Assurance Standards Board (IAASB)'s Data Analytics Working Group is furthering its work to understand how the use of technology, and more specifically data analytics, is able to enhance audit quality. Today, the IAASB released a Request for Input, *Exploring the Growing Use of Technology in the Audit, with a Focus on Data Analytics*. Supplementing this publication is a call for nominations for a newly formed Project Advisory Panel to further advise the IAASB and the Data Analytics Working Group (DAWG) on developments relevant to standard setting.

"Technological change is occurring at a rapid pace, ushering in the capability to capture and communicate data digitally, on an unprecedented scale and almost instantaneously. With this change comes increased stakeholder expectations about how technology can be used to enhance the effectiveness and efficiency of audits of financial statements," said IAASB Chairman Prof. Arnold Schilder. "With this publication, we hope to bring together relevant stakeholders to meet these expectations, which start by fostering a dialogue about how innovative techniques can be used."

The Request for Input 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.

"We are encouraged by the work accounting firms, national standard setters, and others are doing to explore how data analytics can be used in the audit," noted Bob Dohrer, IAASB



Ms. Rachel Grimes

member and DAWG Chair. “While the International Standards on Auditing do not prohibit the use of data analytics, the standards need to better address increasing complexity, taking into account the rapidly changing technological developments in both the business and audit environment. The Request for Input highlights that timely feedback about innovations in this area, including views about the potential implications to the audit of today, will be of use in a number of the IAASB’s current projects.”

The Working Group is seeking input from investors, preparers, those in governance roles, standard setters, practitioners, internal auditors, regulators, academics, and other stakeholders in the external reporting supply chain. The 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.

Comments to the Request for Input are requested by February 15, 2017.

IPSASB Issues Impairment of Revalued Assets

The International Public Sector Accounting Standards Board has published *Impairment of Revalued Assets* (Amendments to IPSAS 21, *Impairment of Non-Cash-Generating Assets*, and IPSAS 26, *Impairment of Cash-Generating Assets*), which brings property, plant, and equipment and intangible assets on the revaluation model within the scope of IPSASB’s two standards on impairment, IPSAS 21 and IPSAS 26.

These amendments provide users with relevant information on impairment losses to property, plant, and equipment and intangible assets on the revaluation model. They also clarify that impairments to individual assets, or a group of assets within a class of property, plant, and equipment, in IPSAS 17, *Property, Plant, and Equipment*, do not necessitate a revaluation of the entire class to which that impaired asset or group of assets belongs. The amendments have an effective date of January 1, 2018.

Enhanced Reporting Policy Position Paper Updated, Focuses on Importance of Integrated Reporting

A revised and updated version of IFAC’s Policy Position Paper 8, *Enhanced Organisational Reporting: Integrated Reporting Key*, is available on the IFAC website.

The paper outlines IFAC position that integrated reporting is the way to achieve a more coherent corporate reporting system, fulfilling the need for a single report that provides a fuller picture of organisations’ ability to create value over time.

Other IFAC’s views detailed in the paper are:

- IFAC’s strong support for the International Integrated Reporting Council and implementation of its Framework;
- That the integrated report can be used as an “umbrella” report for an organisation’s broad suite of reports and communications, enabling greater interconnectedness

between different reports and recognising that there is a range of different frameworks and regulations available, and under development;

- The importance of reporting that produces information on which assurance conclusions can be expressed, in accordance with high-quality international assurance standards; and
- The accountancy profession’s significant contribution, and its important role, in developing and implementing enhanced organisational reporting, with professional accountants playing an important role in broad-based organisational reporting arrangements, and in providing assurance.

This updated edition of the paper includes a new section, “A Coherent Corporate Reporting System with Integrated Reporting”, which describes integrated reporting in more detail and the connection to integrated thinking as a foundation.

IAASB Amends Standards to Enhance Auditor Focus on Non-Compliance with Laws and Regulations

The International Auditing and Assurance Standards Board (IAASB) has released International Standard on Auditing (ISA) 250 (Revised), *Consideration of Laws and Regulations in an Audit of Financial Statements*, and conforming amendments to other International Standards, which respond to new requirements in the International Ethics Standards Board for Accountants (IESBA)’s *Code of Ethics for Professional Accountants* addressing non-compliance with laws and regulations. The revisions enable the IAASB’s International Standards to continue to be applied effectively alongside the IESBA Code, and clarify and emphasise key aspects of the IESBA Code in the IAASB’s Standards.

“The IESBA has established clear expectations for professional accountants in responding to non-compliance with laws and regulations, representing an important contribution to the public interest,” said IAASB Chairman Prof. Arnold Schilder.

“It is only fitting that the IAASB’s International Standards acknowledge and reflect these important changes, and, thereby, reinforce the public interest role played by auditors and professional accountants who provide services covered by our Standards.”

ISA 250 (Revised) will be effective for audits of financial statements for periods beginning on or after December 15, 2017. Amendments to the IAASB’s International Standards for other services have a similar effective date.

“Among other enhancements, the changes to ISA 250 prompt the auditor to think about whether to report identified or suspected NOCLAR to an appropriate authority outside the entity, taking into consideration the provisions of laws, regulations, or relevant ethical requirements in their jurisdiction, and to consider the impact of NOCLAR on the audit,” explained James Gunn, Managing Director, Professional Standards. “It is important that the IAASB and IESBA have acted contemporaneously on such an important public interest matter.” ●

The State of the Economy: Strategies for Survival

By DEACON TITUS SOETAN, FCA

Protocol

1. Let me begin by expressing my appreciation to the Dean and Staff of Faculty of Social and Management Sciences for inviting me to participate in the Maiden Edition of the Faculty's seminar. Indeed, I consider it an honour to be here to deliver a paper on a contemporary issue in the Nigerian economy.

2. In line with this mandate I have chosen to speak on *"The State of the Economy and Strategies for Survival"*.

3. May I state that my Institute, ICAN as part of its corporate social responsibility, is willing to assist any progressive group in any way within its professional expertise towards realising meaningful goals and objectives for personal and group development and by extension national development, particularly, at this critical time when the Nigerian economy is in a state of recession.

4. Introduction

There is hardly anyone in this hall that should by now be in doubt about the state of the Nation's economy. Relevant authorities as well as official data have indicated that the country is experiencing a recession. Steps must therefore be taken to assist government and other businesses to stem the ugly tide and move the economy out of doldrums hence the appropriateness of the choice of the topic for this seminar.

The basic questions we must ask ourselves are: "What was the economy like before now?"; "How did we get to where we are today?"; "Where did we go wrong?" Perhaps if we are able to answer these questions, then we would be able to proffer informed solutions and advice to government and other stakeholders.

The objectives of this paper therefore are to evaluate the past and the present state of the economy; highlight the factors responsible for the present state of the economy with a view to proffering appropriate strategies to bring the country out of recession. I have therefore segmented the rest of my presentation

into six, namely:

- Conceptual clarifications
- The Nigerian Economy Before now
- What Went Wrong
- The Nigerian Economy Now
- Survival Strategies – Government and other stakeholders
- Conclusion.

5. Conceptual Clarifications

→ National Economy

A national economy may be referred to as the economy of an entire country. This includes financial resources and management and encompasses the value of all goods and services manufactured within a nation.

→ Nigerian Economy

The Nigerian economy is a middle income mixed economy which, following an April 2014 statistical "rebasing" exercise, emerged as Africa's largest economy, with 2013 GDP estimated at US\$ 502 billion. However, in August 2016, Nigeria lost the position of the largest economy to South Africa and became the second largest economy in Africa after the IMF recalculated the sizes of the two economies using current exchange rates. In October IMF World Economic Outlook report Nigeria's position was restored as the largest economy with GDP of 493.83 billion dollars in 2015, while South Africa's GDP was 280.36 billion dollars in 2015. The country is virtually a mono-product economy that relies majorly on production and export of crude oil to the world market. This has accounted for about 80% of its revenue every year in the last 38 years.

→ Recession

Recession has been variously defined in literature. The National Bureau of Economic Research (NBER, 2010) defined Recession as "...a significant decline in the economic activity spread across

the country, lasting more than a few months, normally visible in real gross domestic product (GDP) growth, real personal income, employment (non-farm payrolls), industrial production, and wholesale-retail sales.”

A recession is a significant decline in activity across the economy, lasting longer than a few months. It is visible in industrial production, employment, real income and wholesale-retail trade. A recession also creates wide-spread unemployment, and as unemployment rate rises, consumer purchases fall off even more.

Recessions usually last a year or two, and they are economic cycles which happen every four to five years, or at best every seven to eight years. An economy can emerge out of a recession just as strong as it were before the recession by adopting a variety of strategies for recovery.

6. The Nigerian Economy Before Now

NIGERIA became politically independent of the British Monarch on October 1, 1960. Before independence, the country depended on agriculture for her revenue, which in turn, was used to provide life sustaining goods, infrastructure such as roads, hospitals and schools for its citizens. Then, the economy's export activities were also driven by agricultural production. Like other less developed economies, Nigeria produced and exported large quantities of raw-materials in form of cash crop such as Cocoa, coffee, palm-produce rubber and groundnut. This trend continued during the early periods of post-independence in the 1960s when agriculture continued as the main driver of the economy contributing about 65% of GDP and almost 70% of total exports. Then, it was unimaginable for political leaders to indulge in any form of sharp practices detrimental to the citizens' interest. There was high level of security of lives and properties and people went about their lawful businesses without fear of being defrauded or kidnapped.

7. What Went Wrong

Earlier researchers have suggested that the discovery of crude oil in Nigeria in a small village called Oloibiri, in the Niger Delta region in the present day Bayelsa state in 1956 marked the turning point of the Nigerian's economy.

According to NNPC (2016) historical report, Nigeria joined the ranks of oil producers in 1958 when its first oil field came on stream producing 5,100 barrels per day (bpd). Further oil discoveries were made in 1965 in Warri and by the late sixties and early seventies, Nigeria had attained a production level of over 2 million barrels of crude oil a day. With the rise in the world oil price in the 1970s, Nigeria was able to reap instant riches from its oil production.

Following the discovery of crude oil and the boom in oil prices, with resultant astronomical jump in oil revenue, successive governments in Nigeria literally abandoned the agricultural sector and focused on oil. By the turn of 1970, a major shift from agriculture to petroleum was evident (Onwioduokit and Ashinze 1996). Agriculture had been permanently pushed to a distant background over the years with the bulk of the revenue of Nigeria coming from petroleum and currently accounting for about 80% of Government revenue and 87% of government export receipts as at 2015. Nigeria had thus become a mono-economy depending,

solely on oil.

Although Nigeria reaped bountifully from oil resources, its economic performance was not anything to be proud of. The enormous oil wealth reaped during these periods, was not invested to build a viable industrial base for the country and for launching an agrarian revolution to liquidate mass poverty. The country's per capita income which reached its peak in the early 1980s started witnessing major erosion. Concurrently, degeneration in values with corruption at all levels perpetrated on a large scale became the order of the day. The Nigerian values which prized highly hard work and honesty and abhorred indecent acts such as stealing, dishonesty and moral laxity gradually gave way for excessive quest for materialism, worship of money, lack of patriotism, overdependence on foreign goods products and services. Stealing and looting of the treasury in various forms and shapes went on uninterrupted. Thus the oil boom became a doom.

8. The Current State of the Nigerian Economy

With the unprecedented drop in oil prices in the late months of 2015 and early months of 2016 coupled with low output, as a result of vandalisation of oil production facilities by constant militants' activities in the Niger-Delta region, the Nigerian government revenue witnessed a significant drop, with further dip in foreign reserves. It became difficult to fund federal and states revenue budgets while capital infrastructural development also experienced difficulties. These gave rise to a lull in market activities resulting in rising inflation, interest rates and continued depreciation of the Naira against the Dollar and high unemployment leading the Nigerian economy gradually towards a recession.

Although the first quarter of 2016 was the first negative growth in many years, indication of a recession had gradually crept in since the last quarter of 2014 as indicated in a number of macro-economic indicators. Early signs of a recession include several quarters of slowing but still positive growth.

The economy however, was officially pronounced on August 31, 2016, as having entered into a recession after its contraction for two consecutive quarters. This is reflected in the GDP growth figures which shrank by 2.06 percent year-on-year in the second quarter of 2016, compared to a 0.36 percent drop in the first quarter.

9. Other World Countries' Experiences with Recession

As gloomy as this picture appears to be in Nigeria, it is not a strange phenomenon in a free market economy. Ebb and flow are normal features of such an economy; the economy grows and contracts in alternating periods as it constantly strives to find equilibrium. Different economies have therefore experienced their share of recessions at different points in time.

The US economy which is known to be the largest economy in the world experienced periods of recession with negative growth rates up to as high as over 8% lingering over eight quarters between 2009 and 2010 during the global financial crisis. Negative growth rates were also experienced at other times which however did not migrate into a recession.

The United Kingdom was also affected by the global financial crisis and experienced its economic recession from 2008 to 2009.

Other countries that have recently had their own share of recession include Canada, Venezuela, Brazil, Japan, and Jamaica to mention only a few.

However, what makes a difference between these countries is the response of the economy to the recession which determines how quickly the economy is able to move out of the recession into a period of recovery and positive growth.

10. Economic Recovery – Lessons from World Experiences

The lessons to be learnt from the experiences of countries all over the world is that recession is a normal expected period of fluctuation experienced within national economic activities. However what is significant is that some economies are able to move back quickly and steadily into recovery and expansion and growth, others grapple with the problem over a long term period. Countries such as the US and UK were able to achieve recovery and then growth after the 2007–2008 crisis consequent to several focused strategies. These include focusing on immediate job creation by investing in infrastructure, education, health and renewable energy, tax incentives to boost production and providing temporary relief programmes for those most affected by the recession such as increasing unemployment benefits and other social welfare provisions. Acts and Fiscal policies were the main machineries for ensuring delivery. American Recovery and Reinvestment Act of 2009 (ARRA) (Pub.L. 111–5), commonly referred to as the Stimulus or the Recovery Act, was a stimulus package enacted by the 111th United States Congress in February 2009 and signed into law on February 17, 2009, by President Barack Obama. Although, there are arguments on the benefits gained from the stimulus package, it is evident that between 2009 and 2010 the US economy noted significant boost in GDP growth rate and reduction in unemployment rates.

The same however could not be said of countries like Jamaica which has not really been able to move into periods of growth as argued in some quarters due to strategic policy failures which have not secured a change in the structure of the economy from external (colonial)

Figure 1:
Nigeria GDP Annual Growth Rate



Source: WWW.TRADINGECONOMICS.COM / CENTRAL BANK OF NIGERIA

Figure 2:
Nigeria Unemployment Rate



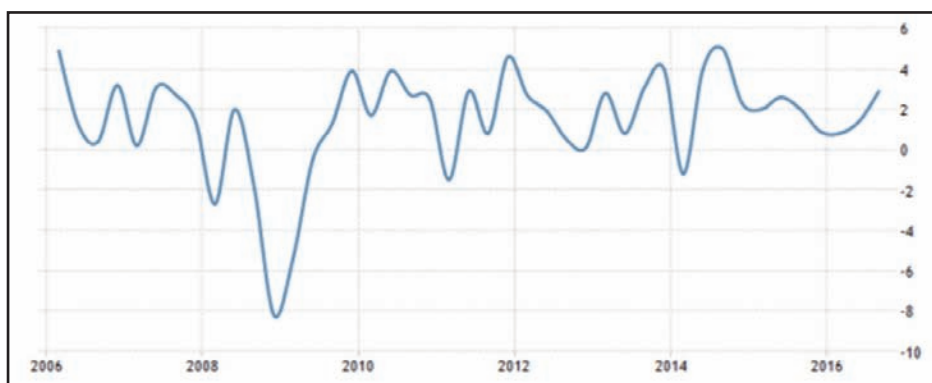
Source: WWW.TRADINGECONOMICS.COM / NATIONAL BUREAU OF STATISTICS, NIGERIA

Figure 3:
Nigeria Inflation Rate



Source: WWW.TRADINGECONOMICS.COM / NATIONAL BUREAU OF STATISTICS, NIGERIA

Figure 4:
US GDP Growth Rate



Source: WWW.TRADINGECONOMICS.COM / US BUREAU OF ECONOMIC ANALYSIS

Figure 5:
US GDP Growth Rate



Source: WWW.TRADINGECONOMICS.COM / US BUREAU OF ECONOMIC ANALYSIS

dependence to independence.

The hope of any economy going into a period of rapid recovery from a recession therefore requires a matching of the recovery strategies with the nature of the root cause of the problem. Although several strategies have been prescribed for attacking recession, an effective and lasting solution requires a more holistic view of the causes of the problem. It is therefore imperative to examine why the Nigerian recession happened.

11. Why did the Nigerian Recession Happen

(i) Dwindling Oil Revenue

The crash in global oil prices and production below the anticipated levels in the 2016 budget have resulted in drastic fall in oil revenue. This situation has been aggravated by the country's inability to change from a mono-product economy with almost total dependence on crude oil. All other sectors of the economy including, agriculture, which constituted the mainstay of the Nigerian economy in the 1950s and 1960s, have suffered from prolonged neglect. Furthermore, some of the nation's major

customers, like the United States now have an alternative source of energy – the shale oil and some other countries, even in Africa, have also discovered oil on their soil, thus reducing the demand for Nigeria's crude oil. The activities of unpatriotic Nigerians and dilapidated infrastructure have also contributed to drop in the production of crude oil from budgeted output of 2 million barrels to 1.3 million barrels per day.

(ii) Depletion of Foreign Reserves

The foreign reserve of the country which was about \$62 billion in 2008 has been estimated to be less than \$29 billion in 2016 has been depleted through poor policies such as the sharing formula policy enshrined in the constitution and insatiable appetite for foreign exchange arising from high propensity for imports.

(iii) **Poor and inconsistent government policies** which have created unfriendly business climate have resulted in capital flights and drying up of foreign inflows in form of FDIs.

(iv) **Non-diversification of the economy** which is not suitable for a sustainable development.

(v) **High cost of governance** which have constituted a serious drain on the nation's resources, for instance the situation where a serving government functionary in addition to receiving salary from the same government is also

drawing pensions equivalent to an incumbent salary.

(vi) **Large scale corruption** in different forms including misappropriation of government funds by those in leadership positions who have made the state an instrument of capital accumulation for themselves, rather than in the interest of the citizens. Corruption and development are antithetical to each other, the two cannot cohabit, and so, where one is present, the other suffers.

12. What is the Way Forward – Survival Strategies

OECD said in 2012 "As the world is emerging from the most severe economic crisis of our lifetimes with resultant high social and human costs, the ability of our economies to grow and prosper will depend more than ever on the quality of government actions and on strong and effective international co-operation".

In line with this thought, the survival of the Nigerian economy rests largely on the immediate actions of the Federal government, of course with the support of every stakeholder in the economy. There is an urgent need to immediately look beyond crude oil

as a major source of revenue for Nigeria's future growth. Immediate policy action is required of the Government, in terms of infrastructural development, job creation, entrepreneurial and skill development as a means of reducing poverty. Innovative strategies are needed to rebuild confidence in the economy and its leadership which is presently at its lowest ebb. Goals to make the economy more productive and strategy to achieve such goals must be transparently established, detailed in a policy document which may also be backed by legislation and effectively communicated to the governed in specific action plans.

Total commitment on the parts of the leadership is required. There is need for discipline and honesty on the part of the government officials and private sector operators who would be responsible for implementing government policies and actions. Without these attributes and the will to pursue set economic goals, all other ingredients of development present would amount to nothing.

(a) Survival Strategies – Government

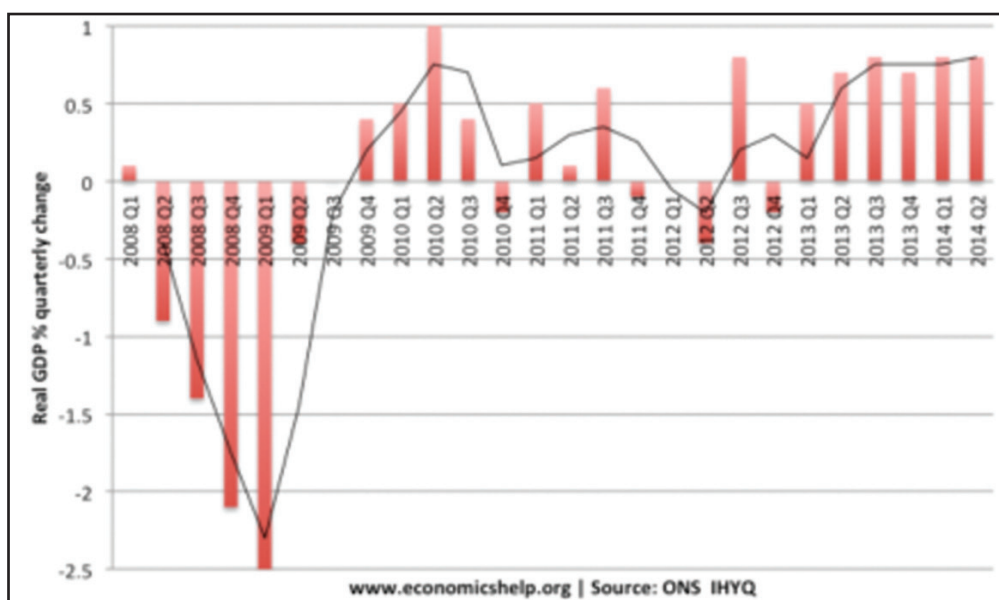
i. *Diversification – Agriculture and Solid Minerals*

The federal government has, rightly so, explored the diversification of the mono product by attempting to revive the agricultural and solid mineral sectors in order to boost the economy. The rekindled interest by the government has gingered production of food such as rice which has re-emerged in local markets and is sometimes preferred to its imported counterpart. Large scale farming must be further encouraged by governments at all levels and research into mechanisation of agriculture value chain to ensure smooth processing from raw to finished consumption and export.

The government, through the ministries of agriculture, bank of industry, ministry of solid minerals and other such agencies, has offered several incentives to boost agriculture development in Nigeria especially focusing on funding of businesses through subsidised loans and grants. However, these loans are hardly accessible because commercial banks place the same barriers that they place on their own lending as the government places the recovery of loans squarely on the banks that disburse the fund. This brings the question, are there other ways of assisting businesses? Are there incentives that are non-monetary that could be offered? Such could be tax holidays, incentive for prompt subsidised loans.....? These are food for thought which we as citizens of this great country must brainstorm about.

The solid mineral sector, for which several agencies have been formed over the years, shows a lot of promise but is highly

Figure 6:
UK Economic Growth



capital intensive. The federal government needs to find a way of encouraging local businesses through accessible incentives, to invest in the sector which has the potential to compete favourably with the oil sector as a major foreign exchange earner through export.

ii. *Infrastructural Development*

The federal governments in the last 10 years or so commenced the revitalisation of the rail network. As a result today, trains are back on the tracks in Nigeria. There is no gainsaying the fact that rail transportation is key to development and if we are to move out of the recession, we need to invest more in having a wide network of railways that will enhance delivery of goods and passengers to destinations across the country in reasonable time and comfort. This will no doubt reduce the pressure on the roads and create more jobs while reducing the pressure on urban cities as people can commute longer distances in comfort.

iii. *Education and Development of Human Resources*

One good thing God has blessed us with is human resources. The population of the country made up mainly of brilliant, young Nigerians have the capacity to rejuvenate the economy given the right education and training. Government therefore needs to provide targeted, high quality technical education to drive industry.

It would be useful if government could inject entrepreneurship into the curriculum of tertiary institutions and teach the youths how to run businesses, draw up business plans, book-keeping and give incentives to candidates with the best business ideas like Tony Elumelu Foundation is currently doing. This, I believe, will remove the focus of our graduates from seeking paid employment to developing employment generating ideas and create small scale businesses well equipped to tap into the huge population of Nigeria.

iv. *Renewed Vigour in the Fight Against Corruption and the Enthronement of a Truly Transparent and Accountable Government*

A situation where the public gets to know significant amounts of money recovered from corrupt officials through the pages of newspapers but lacks concrete information on the utilisation of such funds is unacceptable. Citizens should have access to specific reports in this area. Steps and procedures must be put in place to ensure investments meant to revamp the economy do not end in private pockets.

v. *Investment in Human Resources Development to Enhance Human Knowledge and Skills*

This must be in form of provision of adequate funding of high quality education and training for the youths and tailored to the context relevant and adequate for the country's development needs.

vi. *Improving the Business Climate and Setting Clear and Ambitious Targets to Climb Up the World Bank's Ease of Doing Business Ranking*

Government policies are needed to target specific improvement in the business climate designed to encourage foreign capital inflow. This could be in form of simplification of procedures, tax incentive or policies designed to encourage increased equity participation of foreign investors' in existing businesses in Nigeria. An example of this proposal is in government-controlled infrastructure sectors where foreign investors have been restricted to zero percent ownership for decades such as rail transport, gas pipelines, power transmission, seaports and airports, education, health, public works. This form of foreign investor participation can also apply to specific presently non-efficient areas in the oil sector businesses, that is, refineries.

vii. *Liberalisation Policies Targeted at Many of the Sectors that have been Historically under Government Monopoly*

This would enable foreign investors to come in and create parallel investments to government owned assets, as it was done in the telecommunications industry. Investors may be allowed to come in and build new rail tracks, pipelines, power transmission lines, and not merely buy into what government already owns.

viii. *Diaspora Remittances*

Remittances from citizens abroad are major sources for private sector inflows that end up mostly in consumption. However, some countries have succeeded in encouraging inflows of remittances on the capital account, through the issuance of medium term foreign currency government bonds, with possibility of redemption in local currency on maturity. It is known that developing countries with a huge Diaspora funds like India has applied this strategy successfully.

ix. *Reduction in Costs of Governance*

It is instructive that various levels of government can do more to reduce the cost of governance by reducing the size of governance structures, (down-sizing personal assistants/ advisors). The public sector needs to be organised on lean

principles including minimising administrative costs such as expense on fleet of vehicles and travels especially foreign).

x. *Increase in government spending on infrastructural projects to create jobs and forestall further job losses through the immediate injection of recovered stolen funds*

xi. *Privatisation/Disposal of Federal Assets*

Assets viewed to be unprofitable may be considered for privatisation and/or disposal after other avenues have been explored to enhance increased private investment in the economy and provide additional immediate injection into the economy. However, there must be a policy statement on what is considered unprofitable based on key performance indicators.

Nigeria has not had a good past record on privatisation nor on the utilisation of privatisation proceeds. According to a report by the Bureau of Public Enterprises, out of about 400 privatised companies, only 10 are doing well suggesting a defeat of the objective of the exercise. It is also noted that a level of state involvement is imperative even in the face of the crucial need for capital injection. Doubts have however been expressed on whether the Nigerian state as presently constituted can play this critical role given its embarrassing level of corruption, inefficiency and incapacitation by commitment to sundry primordial values.

xii. *Institution of a Welfare Regime Especially for Unemployed Youth to Cushion the Effect of the Recession*

xiii. *A Stimulus Package Consisting of Economic Measures Put Together by the Government to Stimulate a Floundering Economy*

The objective of a stimulus package is to reinvigorate the economy and prevent or reverse a recession by boosting employment and spending.

xiv. *Defined Exchange Rate Policies that would Enable Level Playing Field for all Operators Instead of the Multiple Exchange Market Model*

xv. *Strengthening of Institutions for Enforcing Laws and Regulations and for Monitoring Policy Implementation*

xvi. *Budget System Reform.*

(b) *Survival Strategies – Business*

In many recessions, a number of businesses have had to close down while some flourish better during this period. Survival strategies for Business would include:

i. *Re-engineering the Business:*

Business should focus on areas of strengths (core competence).

ii. Striving for customer satisfaction and keeping them loyal by providing innovative product/ service relevant given the prevailing conditions and environment.

iii. Adopting global best Practices available in the relevant

sector.

iv. Striving for Management and Production Efficiency to reduce costs in the long run and ultimately reduce the prices of the company's products/services to boost patronage. Increasing efficiency as a cost reduction strategy may prove more important than some direct cost reduction strategy like laying off employees. Quality leadership, with prudent management could also help to reduce wastages and expenditure.

v. Review of Marketing Strategies or evolve new more efficient strategies (such as using an online platform) to remain in the market and create new markets.

vi. Local Sourcing

Business should search for local alternatives for their imported material to reduce the demand for foreign currency.

vii. Focus on quality by investing in Research and Development activities aimed at improving product innovation and productivity.

viii. Business Combinations or Collaborations:

Where necessary, mergers should be encouraged as a way of reducing costs in the areas of research, raw materials acquisition and infrastructural development.

ix. Seeking Professional Advice from Accountants/Auditors:

Many businesses fail because of poor record keeping, improper financial advice and inability to keep careful watch on the level of expenditure.

(c) Survival Strategies – Individuals

During recession, purchasing power is eroded because of inflation. Young people also either lose their jobs or cannot get a good job after school. Individuals should therefore adopt some belt-tightening steps including the following:

- Being a better and more dedicated employee to keep your job by improving your work ethics.
- Evaluating personal expense profile to eliminate or cut down on unnecessary spending.
- Creating additional income streams.
- Saving more to accumulate funds for use through tough times.
- Stronger control of personal cash flows.
- Seeking to innovate.

13. Conclusion

I have, over the last few minutes, examined the state of the Nigerian economy from a historical perspective. We must note that recession is a time for introspection and development of creative strategies to get back on track. There is no doubt that recession is a global problem not one that is peculiar to the Nigerian economy, therefore, there are countries that have successfully weathered the storm and bounced out of it. We have also examined some strategies needed to engender quick recovery which if addressed by government, businesses and individuals will lead to rapid

positive adjustments of key indicators in the economy. The matter of economy of Nigeria is not for government alone. There must be commitment of the leaders and the citizens to position Nigeria for recovery in as short a time as possible so that we can all smile again. I hope that we will all join hands to make the best of the situation and come out better and stronger.

"Life is 10% what happens to you and 90% how you respond to it" — Lou Holtz.

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★ Deacon Titus Soetan, FCA, 52nd President of the Institute of Chartered Accountants of Nigeria presented this paper at the Maiden Edition of Faculty of Social and Management Science Seminar held at Chris Alabi Hall, Bowen University, Iwo, Osun State on Wednesday, November 30, 2016.

Audit Firm Report and Financial Performance of Money Deposit Banks in Nigeria

By EGBUNIKE FRANCIS CHINEDU
and ABIAHU MARY-FIDELIS CHIDOZIEM

The main objective of this study is to determine the effect of audit firm characteristics on financial performance of money deposit banks in Nigeria. Specifically the study shall determine the effect of audit quality, audit fee, and audit report lag on return on assets of Nigerian banks. Next, ascertain the effect of audit quality, audit fee, and audit report lag on earnings per share of Nigerian banks. And finally, examine the effect of audit quality, audit fee, and audit report lag on net profit margin of Nigerian banks. The study adopted the ex post facto and correlational research design. The study population comprised all money deposit banks in existence as at 2015 financial year end. The study finds that audit quality has a significant effect on return on assets of Nigerian banks; Audit fee and audit report lag had no significant effect on return on assets, earnings per share and net profit margin of Nigerian banks. The study therefore recommends mandatory rotation of auditors as a significant factor in safeguarding auditor independence and improving the quality of audit; and the establishment of corporate governance principles that address issues relating to board independence and committee sizes to guide activities in the banking sector.

Keywords: Audits Firm, Performance, Auditors, Accounting Academics, Audit quality, Return on Asset.

1.1 BACKGROUND OF THE STUDY

Financial statements are prepared to provide useful information in making business and economic decisions (Dogan, Coskun, & Celik, 2007). This information is important for the users, as they use the statements to assess the financial condition and performance of related companies (Ahmed & Hossain, 2010). In order to improve the quality of information disclosed in the financial reports

and safeguard the interests of shareholders, an independent examination of the financial affairs of the company becomes mandatory in the case of public companies. This role is carried out by the external auditor usually appointed based on the decision of the board. Farouk and Hassan (2013) observed that achieving quality financial reporting depends on the role that the external audit plays in supporting the quality of financial reporting of quoted companies. They further stated that the

financial statement audit is a monitoring mechanism that helps reduce information asymmetry and protect the interests of the various stakeholders by providing reasonable assurance that the management's financial statements are free from material misstatements (Farouk & Hassan, 2014). Okaro, Okafor & Ofoegbu (2015) posit that quality audit promotes the credibility of financial statements.

According to Koh, Choi and Woo (2014) most companies and managers lack the accounting knowledge and resource to create a suitable financial statement. In fact, many companies rely on the auditor to make the financial statement and take advice from the auditor before make any accounting decision. Therefore, auditors indirectly affect the financial statement prior to doing their real job (Ilaboya & Ohiokha, 2014). In this circumstance, companies have a high level of reliance on auditors when they make an accounting decision or make a financial statement. A high level of reliance on the auditor implies that the auditor highly affects the quality of the financial statements (Koh, Choi & Woo, 2014).

The objective of an audit, therefore, is to plan and perform the audit to obtain appropriate audit evidence that is sufficient to support the opinion expressed in the auditor's report. Insufficient or inappropriate audit evidence may lead to wrong conclusions and this may affect the quality of the report (Ilaboya & Ohiokha, 2014). At the thrust of the functioning of the capital market is the role of the external audit as both owners (shareholders) and the professional managers would want to rely on the report of the external auditor in furthering their sometimes divergent interest arising from agency relationship that exists (Barbadillo & Aguilar, 2008, cited in Ilaboya & Ohiokha, 2014). Companies with a reputable for credible financial reporting are likely to change auditors when their audit quality is questioned to avoid capital market consequences of unreliable financial reporting (Hennes, Leone & Miller, 2012).

1.2 STATEMENT OF THE PROBLEM

High-quality external audit has become an important policy issue following corporate scandals such as Enron, WorldCom, Global crossing, Cendant, Sunbeam (United States); BCCI, Independent Insurance, Equitable Life, Maxwell (United Kingdom); Metallgesellschaft (Germany), and Lever Brothers, African Petroleum, Cadbury, Savanna Bank, Wema and Intercontinental Bank (Nigeria) (Ilaboya & Ohiokha, 2014).

In Nigeria, the seemingly persistent bank failures have raised some fundamental issues on the quality of audit and the independence of the external auditor amidst others. In particular, regulators have often expressed their concern that the length of the auditor-client relationship (or auditor tenure) and executives association with auditors could impair auditor independence and thus audit quality (Davis, Soo & Trompeter, 2003, cited in Ilaboya & Ohiokha, 2014).

The quality of an audit depends simultaneously on several audit firm features such as auditor specialty, audit report lag, auditor independence, auditor tenure, audit firm size, audit fee, auditor enterprise, audit company type (Ng & Tai, 1994; Abedalgader Ibrahim & Baker, 2010). These features are peculiar to a particular audit firm, and can be jointly referred to as the audit firm features/characteristics that have potentially varying effects on the firm. For instance, audit report lag leads the

existing shareholders and potential shareholders to postpone their transaction on shares (Ng & Tai, 1994, cited in Apadore & Noor, 2013).

Moreover, audit fees have been shown to be related to corporate performance (Hay, Knechel, & Wong, 2006; Stanley, 2011, Moutinho, 2012). Auditors have a potentially privileged position to forecast the client's economic condition. The risk-based approach of audit planning and subsequent pricing means that clients perceived by the auditor as risky are typically assigned more labour (Bell, Doogar, & Solomon, 2008), which in turn results in higher audit fees. So, audit fees are expected to be a sign of current and future performance (Stanley, 2011).

Mostly studies in Nigeria focus on a single characteristic, such as audit quality (Farouk and Hassan, 2014) and measure its effect of financial performance. Others, such as Enofe, Mgbame, Efayena and Edegware (2014) examine the link between audit quality and auditor independence, auditor experience and auditor accountability. Okoye, Okaro and Okafor (2015) studied the relationship between Corporate Governance and Audit Quality. However, this study seeks to investigate the effect audit firm characteristics on financial performance of Nigerian banks.

1.3 OBJECTIVE OF THE STUDY

The primary objective of this study is to examine the effect of audit firm report on financial performance of Nigerian banks. The specific objectives of this study are as follows:

1. a. To determine the effect of audit quality on return on assets of Nigerian banks.
b. To determine the effect of audit fee on return on assets of Nigerian banks.
c. To determine the effect of audit report lag on return on assets of Nigerian banks.
2. a. To ascertain the effect of audit quality on earnings per share of Nigerian banks.
b. To ascertain the effect of audit fee on earnings per share of Nigerian banks.
c. To ascertain the effect of audit report lag on earnings per share of Nigerian banks.
3. a. To examine the effect of audit quality on net profit margin of Nigerian banks.
b. To examine the effect of audit fee on net profit margin of Nigerian banks.
c. To examine the effect of audit report lag on net profit margin of Nigerian banks.

REVIEW OF RELATED LITERATURE

2.1 CONCEPTUAL FRAMEWORK

2.1.1 Audit Quality

Audit quality, according to DeAngelo (1981) cited in Okaro, Okafor & Ofoegbu (2015), "is market-assessed joint probability that a given auditor will both (a) discover a breach in the client accounting system and (b) report the breach, that is that the auditor has both the technical competence to detect any material errors during the audit process, and the independence to ensure that material errors and omissions are corrected or disclosed in the auditor's report. Jackson, Moldrich and Roebuck (2008) view the quality of audits from actual and perceived quality. Actual quality shows levels of risk of material errors in financial

statements that can be reduced by the auditor. Perceived quality indicates the level of confidence of users in financial statement and the auditor's effectiveness in reducing material misstatement in financial statements prepared by management.

Titman and Trueman (1986) see audit quality as the accuracy of the information reported by auditors. DeAngelo definition captures attribute critically to the role played by auditors in financial statement preparation. Thus, audit quality combines the ability of an auditor to detect a breach (auditor competence) and a willingness to report such a breach (auditor independence).

The Financial Reporting Council (2006b) considers five factors that influence audit quality to include: audit firm culture, skills and personal qualities of audit partners and staff, the effectiveness of the audit process, and the reliability and usefulness of audit reporting, amongst factor that are exogenous to the auditors.

Audit quality plays an important role in maintaining an efficient market environment; an independent quality audit underpins confidence in the credibility and integrity of financial statements which is essential for well functioning markets and enhanced financial performance (Farouk & Hassan, 2014).

2.1.2 Audit Fees

There is a significant branch of literature dedicated to the understanding of audit pricing. In 1980, Simunic developed a representative model of the process by which audit fees are determined, and since then various authors have continued to bring forth empirical results that show which factors concur to the setting of audit fees. In this segment some of those contributions relevant to this study are reviewed (Moutinho, 2012).

Theoretically, the amount of fees for audit services that a client firm pays to its audit firm reflects the level of audit work the latter has to perform in the auditing process. The definition of this level of work embodies the auditor's assessment of the process's complexity and the desired level of risk. In other words, all other things considered, if an auditor wishes to decrease the risk of issuing a clean opinion when there are materially relevant distortions in the client's financial statements, he generally acts on the nature, extent and timing of audit procedures, which, naturally, influence the final amount of required fees (Moutinho, 2012).

Additionally, increasing audit efforts are determined by the audit firm's likelihood of incurring in future, losses due to the engagement with that specific client (e.g., Bell, Doogar, & Solomon, 2008; Choi, Kim, & Simunic, 2008; Simunic & Stein, 1996). Those losses include litigation costs, sanctions from regulatory entities and image and reputation damages. There is empirical evidence that when there is a perception of high levels of liability exposure, audit firms adjust their required fees (Simunic & Stein, 1996). Audit fees are influenced by the litigation environment (i.e. the legal regimes of different countries) where the audit firms operate on (Choi, Kim, & Simunic, 2008); in the face of increasing litigation costs, big audit firms have avoided engagements with risky clients (Jones & Raghunandan, 1998).

2.1.3 Audit Report Lag (ARL)

Audit report lag, which is the number of days from fiscal year end to audit report date, or inordinate audit lag, jeopardises the quality of financial reporting by not providing timely information

to investors (Mohamad-Nor, Shafie & Wan-Hussin, 2010). Delayed disclosure of an auditor's opinion on the true and fair view of financial information prepared by the management exacerbates the information asymmetry and increases the uncertainty in investment decisions. Consequently, this may adversely affect investors' confidence in the capital market (Mohamad-Nor, Shafie & Wan-Hussin, 2010). Givoly and Palmon (1982) assert that audit lag is the single most important determinant of timeliness in earnings announcement, which in turn, determines the market reaction to earnings announcement (Chambers & Penman, 1984; Kross & Schroeder, 1984). Knechel and Payne (2001) suggest that an unexpected reporting lag may be associated with lower quality information.

2.2 THEORETICAL FRAMEWORK

Agency theory has been widely used in literature to investigate the information asymmetry between principals (shareholders) and agent (management). Sarens and Abdolmohammadi (2007), states that according to the agency theory, a company consists of a set of linked contracts between the owners of economic resources (the principals) and managers (the agents) who are charged with using and controlling these resources. Jensen and Meckling (1976), states that in agency theory, agents have more information than principals and this information asymmetry adversely affects the principals' ability to monitor whether or not their interests are being properly served by the agents.

Sarens and Abdolmohammadi (2007), opines that an assumption of agency theory is that principals and agents act rationally and use contracting to maximize their wealth. A consequence of this is the moral hazard issue. Jensen and Meckling (1976), opine that moral hazard constitutes a situation where to maximise their own wealth; agents may face the dilemma of acting against the interests of their principals. Since principals do not have access to all available information at the time a decision is being made by an agent, they are unable to determine whether the agent's actions are in the best interest of the firm. To reduce the likelihood of the moral hazard, principals and agents engage in contracting to achieve optimality, including the establishment of monitoring processes such as auditing.

2.3 EMPIRICAL REVIEW

Farouk and Hassan (2014) examined the impact of audit quality on financial performance of quoted firms in Nigeria. Multiple regression analysis was employed in analysing the data and testing the stated hypotheses. The results of the findings shows that auditor size and auditor independence have significant impacts on the financial performance of quoted cement firms in Nigeria. However, auditor independence has more influence than auditor size on financial performance.

Ziaee (2014) examined the relationship between audit quality and financial performance of companies in Iran. For this population the financial manager is accepted in Tehran Stock Exchange and 2008 to 2012 have been selected. Using primary data, he found that audit quality could affect the financial performance of companies.

Yassin and Nelson (2012) used audit fee as proxy for audit quality. They suggested that, a higher audit fees indicates that auditors provide more efficient audit services to the companies

compared to lower audit fees.

Moutinho (2012) investigated the relationship between audit fees and firm performance. Using a sample of U.S. publicly traded, non-financial firms covering the period from 2000 to 2008, a fixed effects model is presented to estimate firm operating performance. The model included standard control variables, such as size, leverage, sales growth and research and development intensity. In addition, measures of corporate governance were introduced. Specifically, increases (decreases) in operating performance are connected with decreases (increases) in audit fees.

Okoye, Okaro and Okafor (2015) studied corporate governance factors that affect audit quality, some of which if addressed will help in stemming the tide of audit failures. Using secondary data extracted from the annual reports of a sample of 104 companies randomly selected from a population of 134 non-bank companies listed in the Nigerian Stock Exchange, they concluded that small board size and greater board diligence impact positively on audit quality.

Yuniarti (2011) investigated the relation between factors that affect audit quality of 24 Bandung firm at 2009. He suggest that higher audit fees increase and improve audit quality due to auditors effort and accounting firm should enhance amount of audit fees that lead to higher audit quality. He also found that audit fees is significantly and positively affect audit quality.

Hoitash, Markelevich, & Barragato (2007) examined the relationship between audit fees and audit quality. Their paper show that fees paid to auditor can impact in way; large fees paid to auditor increases quality of audit. Higher audit fees are related to non- audit service makes auditors more dependent on their clients. In their study, they examined audit fees for period of 2000 to 2003 and found that there is a significant positive relationship between audit fees and audit quality.

Modugu, Erahbhe and Ikhatua (2012) examine the relationship between audit delay and company characteristics in Nigeria. A sample of 20 quoted companies was selected for a period of 2009 to 2011 Ordinary Least Square technique was adopted in the analysis. The result show that multi-nationality connections of companies, company size and audit fees paid to auditors are the major determinants of audit delay in Nigeria. The study also reveals that audit report lag for each of the companies takes a minimum of 30 days and a maximum of 276 days for Nigerian companies to publish their annual reports. Nigeria listed companies take approximately two months on the average beyond their balance sheet date before they are finally ready for the presentation of the audited accounts to the shareholders at the annual general meetings.

Fagbemi and Uadiale (2011) study a sample of forty-five audited financial statements of quoted companies was used. The data collected were analysed using descriptive and inferential statistics. Findings show that the average number of days for which financial reports are ready after the year end is one hundred and forty-one days. The earliest time for which audit report is made ready after year end is thirty-one days afterwards. The result indicates a relationship between corporate reporting timeliness and company affiliation with a foreign entity. However, the results found no correlation between timeliness of financial statements, business complexity and business leverage.

Iyoha (2012) examines the impact of company attributes

on the timeliness of financial reports in Nigeria a sample of 61 companies' annual reports for ten (10) years were selected. The data were analysed and results estimated using Ordinary Least Square (OLS) Regression. The findings reveal that the age of company is the major company attribute that influences the overall quality of timeliness of financial reports. The study also observed a significant difference in the timeliness of financial reporting among industrial sectors. For instance the banking sector was found to be timelier in financial reporting than other sectors.

In Korea, the study by Lee and Jang (2008) found that audit report lag is negatively associated with non-audit fees paid to incumbent auditors. It was also seen that ARL is negatively associated with the use of Big 4 auditors and unqualified audit opinions. The study, however, did not find significant associations between Audit Report Lag and auditor tenure.

Oladipupo (2011) investigated the extent of audit lag in Nigeria. Forty companies were selected. Both univariate and multivariate analyses were performed on the data collected. The study observed that; audit delay ranged from 16 to 284 days; Nigeria listed companies take approximately four months on the average beyond their balance sheet date before they are finally ready for the presentation of the audited accounts to the shareholders; That profitability, total assets, total debt, total equity, audit fees and industry type have no significant impact on audit delay.

DESIGN & METHODOLOGY

3.1 RESEARCH DESIGN

According to Kazdin (1992, 2003a), *Research Design* refers to the plan used to examine the question of interest. "Research design" refers to the many ways in which research can be conducted to answer the question being asked.

The study adopted the *ex post facto* and *correlational* research design. Ex post facto research is systematic empirical inquiry in which the scientist does not have direct control of independent variables because their manifestations have already occurred or because they are inherently not manipulated. According to Kerlinger and Rint (1986) explained that in the context of social science research and ex post facto investigation seeks to reveal possible relationships by observing an existing condition or state of affairs and searching back in time for plausible contributing factors.

A correlational research design is the measurement of two or more factors to determine or estimate the extent to which the values for the factors are related or change in an identifiable pattern. In correlational research, the goal is to determine whether two or more variables are related (Marczyk, DeMatteo, & Festinger, 2005).

3.2 POPULATION OF THE STUDY

The population of the study is made up of banks quoted on the Nigerian Stock Exchange as shown on the Nigerian Stock Exchange Factbook. The banks are as follows:

1. ACCESS BANK PLC
2. DIAMOND BANK PLC
3. ECOBANK TRANSNATIONAL INCORPORATION
4. FCMB

Table 4.1:
Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Audit Quality	52	.0	1.0	.981	.1387
Audit Report Lag	52	46.0	254.0	93.904	43.6174
Audit Fees	43	118.0	433734.0	111426.163	119263.5609
Valid N (listwise)	38				

Source: SPSS Ver. 22

Table 4.2:
Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Return on Assets	67	-.09	.11	.0155	.02642
Earnings per Share	59	-12.6600	8.3000	.992915	2.2530261
Debt Ratio	69	.03	1.26	.8456	.15782
Net Profit Margin	66	-1.17	.99	.1396	.26179
Valid N (listwise)	57				

Source: SPSS Ver. 22

5. FIDELITY BANK PLC
6. FIRST BANK PLC
7. GUARANTY TRUST BANK PLC
8. SKYE BANK PLC
9. STANBIC IBTC
10. STERLING BANK PLC
11. UBA PLC
12. UNION BANK NIGERIA PLC
13. UNITY BANK PLC
14. WEMA BANK PLC
15. ZENITH BANK PLC

This therefore constitutes a finite population, from which the sampling frame is built. According to Panneerselvam (2010) a sampling frame is the complete list of all the members/units of the population from which each sampling unit is selected.

3.3 DURATION OF THE STUDY

The study covered a 5-year period, from 2010 to 2014 based on the availability of financial data of the banks.

3.4 MODEL SPECIFICATION

ROA = α + β (AQ) + β (AF) + β (ARL) + β (DR) + β (FS) + μ.....(1)

EPS = α + β (AQ) + β (AF) + β (ARL) + β (DR) + β (FS) + μ.....(2)

NPM = α + β (AQ) + β (AF) + β (ARL) + β (DR) + β (FS) + μ.....(3)

3.0.1 DESCRIPTION OF VARIABLES

1. Financial performance is measured using Return on Assets (ROA), Earnings per Share (EPS), and Net Profit Margin (NPM), for firm i at a given time t.
2. Audit quality (AQ): Audit quality is measured as the choice of a sampled company to employ the services of any of the Big 4 audit firms. A dummy value of 1 is used or '0' if otherwise (Adeniyi & Mieseiigha, 2013; Enofe, Mgbame & Enabosi, 2013). The Big 4 audit firms in Nigeria are; Akintola Williams Delloite, PriceWaterhouseCoopers, Ernst and Young, and KPMG.

DATA PRESENTATION AND ANALYSIS

4.1 DESCRIPTIVE STATISTICS OF SECONDARY DATA

From the table above (Table 4.1), it was seen that audit quality had an average figure of .981, this figure which is close to 1, shows that most banks employ the services of one of the big four audit firms. The average figure for audit report lag is 93.904, this shows that it takes most banks approximately 94 days before issuing the audit report after the financial year end. The average figure for audit fees is 111426.163 N'm.

4.2 TEST OF HYPOTHESES

4.2.1 Test of Hypotheses 1a, 1b, and 1c

- H_{1a}: Audit quality has no significant effect on return on assets of Nigerian banks.
- H_{1b}: Audit fee has no significant effect on return on assets of Nigerian banks.
- H_{1c}: Audit report lag has no significant effect on return on assets of Nigerian banks.

Table 4.3:
Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.575 ^a	.330	.225	.02534	2.595
a. Predictors: (Constant), Firm Size, Debt Ratio, Audit Report Lag, Audit Quality, Audit Fees					
b. Dependent Variable: Return on Assets					

Source: SPSS Ver. 22

Table 4.4:
ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.010	5	.002	3.153	.020 ^b
	Residual	.021	32	.001		
	Total	.031	37			
a. Dependent Variable: Return on Assets						
b. Predictors: (Constant), Firm Size, Debt Ratio, Audit Report Lag, Audit Quality, Audit Fees						

Source: SPSS Ver. 22

The table above (**Table 4.3**) shows both R^2 and adjusted R^2 values, which measure the proportion of the variation in the dependent variable explained by the model. However, adjusted R^2 is the modification for the limitation of R^2 the value of the adjusted R^2 is considered to measure the fitness of the model. Thus, as it is shown above the value of adjusted R^2 is .225, indicating that the independent variables in the model are explaining 22.5% variation on the dependent variables. **Table 4.4** shows that the model is statistical significant, since P-Value is less than .05.

From **Table 4.5** below, the test of hypotheses revealed the following: Audit quality has a significant effect on return on assets of Nigerian banks (Sig. value .029); Audit fee has no significant

effect on return on assets of Nigerian banks (Sig. value .363); and, Audit report lag has no significant effect on return on assets of Nigerian banks (Sig. value .316). The calculated p-values were compared with .05 (significant level 5 percent).

4.2.2 Test of Hypotheses 2a, 2b, and 2c

- H_{2a} : Audit quality has no significant effect on earnings per share of Nigerian banks.
 H_{2b} : Audit fee has no significant effect on earnings per share of Nigerian banks.
 H_{2c} : Audit report lag has no significant effect on earnings per share of Nigerian banks.

Table 4.5:
Coefficients^a

Model		Unstandardised Coefficients		Standardised Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.023	.057		.400	.692
	Audit Quality	.062	.027	.347	2.287	.029
	Audit Report Lag	.000	.000	.137	.922	.363
	Audit Fees	7.193E-8	.000	.312	1.018	.316
	Debt Ratio	-.073	.031	-.347	-2.380	.023
	Firm Size	-.003	.006	-.167	-.546	.589
a. Dependent Variable: Return on Assets						

Source: SPSS Ver. 22

Table 4.6:
Residuals Statistics^a

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	-.0559	.0734	.0159	.01654	38
Residual	-.10577	.06507	.00000	.02356	38
Std. Predicted Value	-4.345	3.478	.000	1.000	38
Std. Residual	-4.174	2.568	.000	.930	38

a. Dependent Variable: Return on Assets

Source: SPSS Ver. 22

Table 4.7:
Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.260 ^a	.068	-.083	2.5920405	1.814

a. Predictors: (Constant), Firm Size, Debt Ratio, Audit Report Lag, Audit Quality, Audit Fees

b. Dependent Variable: Earnings per Share

Source: SPSS Ver. 22

Thus, as it is shown in **Table 4.7** the value of adjusted R² is -.083.

Table 4.8 shows that the model is not statistical significant, since P-Value is greater than .05.

From **Table 4.9**, the test of hypotheses revealed the following: Audit quality has a significant effect on earnings per share of Nigerian banks (Sig. value .599); Audit fee has no significant effect on earnings per share of Nigerian banks (Sig. value .596); and, Audit report lag has no significant effect on earnings per share of Nigerian banks (Sig. value .671). The calculated p-values were compared with .05 (significant level 5 percent).

4.2.3 Test of Hypotheses 3a, 3b, and 3c

- H_{3a}: Audit quality has no significant effect on net profit margin of Nigerian banks.
H_{3b}: Audit fee has no significant effect on net profit margin of Nigerian banks.
H_{3c}: Audit report lag has no significant effect on net profit margin of Nigerian banks.

From **Table 4.13**, the test of hypotheses revealed the following: Audit quality has a significant effect on net profit margin of Nigerian banks (Sig. value .022); Audit fee has no significant effect on net profit margin of Nigerian banks (Sig. value .357); and, Audit report lag has no significant effect on net profit margin of Nigerian banks (Sig. value .539). The calculated p-values were compared with .05 (significant level 5 percent).

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 SUMMARY OF FINDINGS

1. Audit quality has a significant effect on return on assets of Nigerian banks;
2. Audit fee has no significant effect on return on assets of Nigerian banks;
3. Audit report lag has no significant effect on return on assets of Nigerian banks;
4. From the correlation matrix (see **Appendix 1**) audit quality is positively correlated with return on assets and significant, and also positively correlated with earnings per share and net profit margin but not significant;
5. Audit quality has no significant effect on earnings per share of Nigerian banks;
6. Audit fee has no significant effect on earnings per share of Nigerian banks;
7. Audit report lag has no significant effect on earnings per share of Nigerian banks;
8. From the correlation matrix (see **Appendix 1**) audit report lag is negatively correlated with return on assets and not significant, while positively correlated with earnings per share and negatively correlated with net profit margin but not significant;
9. Audit quality has no significant effect on net profit margin of Nigerian banks;
10. Audit fee has no significant effect on net profit margin of Nigerian banks;
11. Audit report lag has no significant effect on net profit margin of Nigerian banks; and
12. From the correlation matrix (see **Appendix 1**) audit fees is positively correlated with return on assets, earnings per share and net profit margin but not significant.

Table 4.8:
ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	15.141	5	3.028	.451	.809 ^b
	Residual	208.279	31	6.719		
	Total	223.420	36			
a. Dependent Variable: Earnings per Share						
b. Predictors: (Constant), Firm Size, Debt Ratio, Audit Report Lag, Audit Quality, Audit Fees						

Source: SPSS Ver. 22

Table 4.9:
Coefficients^a

Model		Unstandardised Coefficients		Standardised Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.023	5.876		-.379	.707
	Audit Quality	1.465	2.756	.097	.532	.599
	Audit Report Lag	.007	.012	.095	.536	.596
	Audit Fees	3.103E-6	.000	.156	.429	.671
	Debt Ratio	-.334	3.150	-.019	-.106	.916
	Firm Size	.150	.630	.086	.238	.814
a. Dependent Variable: Earnings per Share						

Source: SPSS Ver. 22

5.2 CONCLUSION

This study was carried out to examine the effect of audit firm characteristics on financial performance of Nigerian banks. Audit firm characteristics describe the peculiar features which can be identified to a particular audit firm. Following the major scandals of Enron, WorldCom, Tyco, amongst others, the credibility of financial reports have continually been questioned more especially following the fact that one of these corporations was audited by a notable audit firm Arthur Andersen.

Also, in Nigeria, following the collapse of major banks, after showing favourable financial reports has raised concern for investors on the adequacy of audited financial statements. Three characteristics of audit firms, namely audit report lag, audit fee, and audit quality were examined for there effect on the financial performance of banks in Nigeria.

5.3 RECOMMENDATIONS

The following recommendations were made:

- 1. Mandatory rotation of auditors: The mandatory rotation of auditors has been argued to be a significant factor in safeguarding auditor independence and improving the quality of audit;
- 2. The establishment of corporate governance principles

- that address issues relating to board independence and committee sizes to guide activities in the banking sector;
- 3. Banks are encouraged to employ audit firms in the provision of non-audit services, such as risk assessment, etc.

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Table 4.10:
Residuals Statistics^a

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	-.587400	1.967837	.858178	.6485271	37
Residual	-12.7738075	2.9872572	.0000000	2.4053118	37
Std. Predicted Value	-2.229	1.711	.000	1.000	37
Std. Residual	-4.928	1.152	.000	.928	37

a. Dependent Variable: Earnings per Share

Source: SPSS Ver. 22

Table 4.11:
Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.459 ^a	.211	.087	.29463	2.740

a. Predictors: (Constant), Firm Size, Debt Ratio, Audit Report Lag, Audit Quality, Audit Fees

b. Dependent Variable: Net Profit Margin

Source: SPSS Ver. 22

Table 4.12:
ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.741	5	.148	1.708	.161 ^b
	Residual	2.778	32	.087		
	Total	3.519	37			

a. Dependent Variable: Net Profit Margin

b. Predictors: (Constant), Firm Size, Debt Ratio, Audit Report Lag, Audit Quality, Audit Fees

Source: SPSS Ver. 22

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Table 4.13:
Coefficients^a

Model		Unstandardised Coefficients		Standardised Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.299	.667		.449	.657
	Audit Quality	.409	.313	.215	1.304	.202
	Audit Report Lag	.001	.001	.150	.935	.357
	Audit Fees	5.102E-7	.000	.207	.621	.539
	Debt Ratio	-.733	.357	-.325	-2.053	.048
	Firm Size	-.016	.071	-.073	-.218	.829

a. Dependent Variable: Net Profit Margin

Source: SPSS Ver. 22

Table 4.14:
Residuals Statistics^a

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	-.3594	.7271	.1397	.14156	38
Residual	-1.29330	.83995	.00000	.27400	38
Std. Predicted Value	-3.526	4.150	.000	1.000	38
Std. Residual	-4.390	2.851	.000	.930	38

a. Dependent Variable: Net Profit Margin

Source: SPSS Ver. 22

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Appendix 1:
Correlation Matrix
Correlations

		Audit Quality	Audit Report Lag	Audit Fees	Return on Assets	Earnings per Share	Net Profit Margin
Audit Quality	Pearson Correlation	1	.070	.015	.371**	.099	.248
	Sig. (2-tailed)		.626	.930	.007	.495	.083
	N	52	51	39	51	50	50
Audit Report Lag	Pearson Correlation	.070	1	-.160	-.097	.046	-.043
	Sig. (2-tailed)	.626		.337	.498	.750	.769
	N	51	52	38	51	50	50
Audit Fees	Pearson Correlation	.015	-.160	1	.142	.215	.111
	Sig. (2-tailed)	.930	.337		.364	.177	.480
	N	39	38	43	43	41	43
Return on Assets	Pearson Correlation	.371**	-.097	.142	1	.781**	.955**
	Sig. (2-tailed)	.007	.498	.364		.000	.000
	N	51	51	43	67	58	66
Earnings per Share	Pearson Correlation	.099	.046	.215	.781**	1	.808**
	Sig. (2-tailed)	.495	.750	.177	.000		.000
	N	50	50	41	58	59	57
Net Profit Margin	Pearson Correlation	.248	-.043	.111	.955**	.808**	1
	Sig. (2-tailed)	.083	.769	.480	.000	.000	
	N	50	50	43	66	57	66

** Correlation is significant at the 0.01 level (2-tailed).

Source: SPSS Ver. 22

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Appendix 2:
Audit Firm Characteristics

Name of Company	Year	Audit Quality	ARL	Audit Fees
ACCESS BANK PLC	2014.0	1.0	64.0	433734.0
ACCESS BANK PLC	2013.0	1.0	97.0	308208.0
ACCESS BANK PLC	2012.0	1.0	71.0	339528.0
ACCESS BANK PLC	2011.0	1.0	125.0	180000.0
ACCESS BANK PLC	2010.0		236.0	
DIAMOND BANK	2014.0	1.0	64.0	155700.0
DIAMOND BANK	2013.0	1.0	77.0	188583.0
DIAMOND BANK	2012.0	1.0	90.0	
DIAMOND BANK	2011.0	1.0	80.0	
DIAMOND BANK	2010.0	1.0	82.0	148500.0
ECOBANK TRANSNATIONAL INCORPORATED	2014.0	1.0	97.0	
ECOBANK TRANSNATIONAL INCORPORATED	2013.0	1.0	119.0	
ECOBANK TRANSNATIONAL INCORPORATED	2012.0	1.0	85.0	
ECOBANK TRANSNATIONAL INCORPORATED	2011.0	1.0	88.0	
ECOBANK TRANSNATIONAL INCORPORATED	2010.0	1.0	88.0	
FCMB	2014.0			
FCMB	2013.0	1.0	83.0	240412.0
FCMB	2012.0	1.0	105.0	176525.0
FCMB	2011.0	1.0	65.0	129794.0
FCMB	2010.0			127011.0
FIDELITY BANK PLC	2014.0	1.0	82.0	150.0
FIDELITY BANK PLC	2013.0			125.0
FIDELITY BANK PLC	2012.0	1.0	84.0	
FIDELITY BANK PLC	2011.0			
FIDELITY BANK PLC	2010.0			
FIRST BANK OF NIGERIA PLC	2014.0	1.0	83.0	
FIRST BANK OF NIGERIA PLC	2013.0			
FIRST BANK OF NIGERIA PLC	2012.0			
FIRST BANK OF NIGERIA PLC	2011.0	1.0	90.0	
FIRST BANK OF NIGERIA PLC	2010.0			
GUARANTY TRUST BANK PLC	2014.0			
GUARANTY TRUST BANK PLC	2013.0	1.0	59.0	335337.0
GUARANTY TRUST BANK PLC	2012.0	1.0	70.0	320931.0
GUARANTY TRUST BANK PLC	2011.0	1.0	109.0	285424.0

GUARANTY TRUST BANK PLC	2010.0			
SKYE BANK PLC	2014.0			
SKYE BANK PLC	2013.0	1.0	94.0	
SKYE BANK PLC	2012.0	1.0		156000.0
SKYE BANK PLC	2011.0			130000.0
SKYE BANK PLC	2010.0			
STANBIC IBTC BANK	2014.0			
STANBIC IBTC BANK	2013.0	1.0	70.0	200.0
STANBIC IBTC BANK	2012.0	1.0	46.0	189.0
STANBIC IBTC BANK	2011.0	1.0	75.0	148.0
STANBIC IBTC BANK	2010.0			
STERLING BANK PLC	2014.0	1.0	62.0	198500.0
STERLING BANK PLC	2013.0	1.0	63.0	180000.0
STERLING BANK PLC	2012.0	1.0	64.0	120000.0
STERLING BANK PLC	2011.0	1.0	90.0	80000.0
STERLING BANK PLC	2010.0			
UNITED BANK FOR AFRICA PLC	2014.0	1.0	84.0	358.0
UNITED BANK FOR AFRICA PLC	2013.0	1.0	85.0	296.0
UNITED BANK FOR AFRICA PLC	2012.0	1.0	128.0	309.0
UNITED BANK FOR AFRICA PLC	2011.0	1.0	101.0	308.0
UNITED BANK FOR AFRICA PLC	2010.0	1.0	91.0	222.0
UNION BANK OF NIGERIA PLC	2014.0	1.0	84.0	124.0
UNION BANK OF NIGERIA PLC	2013.0	1.0	86.0	118.0
UNION BANK OF NIGERIA PLC	2012.0	1.0	87.0	152.0
UNION BANK OF NIGERIA PLC	2011.0	1.0	63.0	175.0
UNION BANK OF NIGERIA PLC	2010.0			
UNITY BANK PLC	2014.0	1.0	68.0	
UNITY BANK PLC	2013.0	.0	72.0	100911.0
UNITY BANK PLC	2012.0			171899.0
UNITY BANK PLC	2011.0			
UNITY BANK PLC	2010.0			
WEMA BANK PLC	2014.0			
WEMA BANK PLC	2013.0	1.0	78.0	90000.0
WEMA BANK PLC	2012.0	1.0	186.0	90000.0
WEMA BANK PLC	2011.0	1.0	254.0	
WEMA BANK PLC	2010.0	1.0	105.0	100000.0
ZENITH BANK PLC	2014.0	1.0	58.0	460.0
ZENITH BANK PLC	2013.0	1.0	66.0	420.0
ZENITH BANK PLC	2012.0	1.0	87.0	320.0
ZENITH BANK PLC	2011.0	1.0	243.0	254.0
ZENITH BANK PLC	2010.0			

Source: Annual Financial Reports Various Issues

Appendix 3: Dependent Variables

Name of Company	Year	EPS	ROA	NPM
ACCESS BANK PLC	2014.0	1.8900	.02	.18
ACCESS BANK PLC	2013.0	1.5900	.02	.18
ACCESS BANK PLC	2012.0	1.6900	.02	.18
ACCESS BANK PLC	2011.0	.8900	.01	.11
ACCESS BANK PLC	2010.0	.4400	.01	.12
DIAMOND BANK	2014.0	1.6600	.01	.12
DIAMOND BANK	2013.0	1.9700	.02	.16
DIAMOND BANK	2012.0	1.5940	.02	.16
DIAMOND BANK	2011.0	-1.5798	-.02	-.15
DIAMOND BANK	2010.0	.0900	.00	.02
ECOBANK TRANSNATIONAL INCORPORATED	2014.0	1.8300	.02	.23
ECOBANK TRANSNATIONAL INCORPORATED	2013.0	.6000	.01	.09
ECOBANK TRANSNATIONAL INCORPORATED	2012.0	1.7000	.01	.21
ECOBANK TRANSNATIONAL INCORPORATED	2011.0	1.7600	.01	.24
ECOBANK TRANSNATIONAL INCORPORATED	2010.0	1.1400	.01	.16
FCMB	2014.0			
FCMB	2013.0	.8100	.02	.12
FCMB	2012.0	.7700	.02	.13
FCMB	2011.0	.6100	-.02	-.12
FCMB	2010.0	.4900	.01	.13
FIDELITY BANK PLC	2014.0	.4800	.01	.10
FIDELITY BANK PLC	2013.0	.2700	.01	.06
FIDELITY BANK PLC	2012.0	.6300	.02	.15
FIDELITY BANK PLC	2011.0	.0900	.00	.04
FIDELITY BANK PLC	2010.0		.01	.13
FIRST BANK OF NIGERIA PLC	2014.0	2.5500	.02	.17
FIRST BANK OF NIGERIA PLC	2013.0	2.1600	.02	.18
FIRST BANK OF NIGERIA PLC	2012.0			
FIRST BANK OF NIGERIA PLC	2011.0	1.4000		
FIRST BANK OF NIGERIA PLC	2010.0		.01	.14
GUARANTY TRUST BANK PLC	2014.0			
GUARANTY TRUST BANK PLC	2013.0	3.1700	.04	.37
GUARANTY TRUST BANK PLC	2012.0	3.0500	.05	.39
GUARANTY TRUST BANK PLC	2011.0	1.6900	.03	.28
GUARANTY TRUST BANK PLC	2010.0		.00	.25
SKYE BANK PLC	2014.0			
SKYE BANK PLC	2013.0	1.2100	.01	
SKYE BANK PLC	2012.0	1.0100	.01	.00
SKYE BANK PLC	2011.0		.00	.00

SKYE BANK PLC	2010.0		.01	.17
STANBIC IBTC BANK	2014.0			
STANBIC IBTC BANK	2013.0	1.8600	.03	.19
STANBIC IBTC BANK	2012.0	.5000	.02	.11
STANBIC IBTC BANK	2011.0	.4000	.01	.11
STANBIC IBTC BANK	2010.0	.5000	.02	.17
STERLING BANK PLC	2014.0	.4200	.01	.09
STERLING BANK PLC	2013.0	.5200	.01	.09
STERLING BANK PLC	2012.0	.4400	.01	.10
STERLING BANK PLC	2011.0	.5300	.01	.14
STERLING BANK PLC	2010.0	.4000	.02	.15
UNITED BANK FOR AFRICA PLC	2014.0	1.5600	.02	.17
UNITED BANK FOR AFRICA PLC	2013.0	1.5200	.02	.18
UNITED BANK FOR AFRICA PLC	2012.0	1.6600	.02	.25
UNITED BANK FOR AFRICA PLC	2011.0	-.2900	.00	-.04
UNITED BANK FOR AFRICA PLC	2010.0		.00	-.01
UNION BANK OF NIGERIA PLC	2014.0	1.5100	.03	.20
UNION BANK OF NIGERIA PLC	2013.0	.3700	.00	.03
UNION BANK OF NIGERIA PLC	2012.0	.6100	.08	.99
UNION BANK OF NIGERIA PLC	2011.0	-12.6600	-.09	-1.17
UNION BANK OF NIGERIA PLC	2010.0	8.3000	.11	.82
UNITY BANK PLC	2014.0	.1745	.03	.14
UNITY BANK PLC	2013.0	-.5874	-.06	-.36
UNITY BANK PLC	2012.0	.1607	.02	.11
UNITY BANK PLC	2011.0			
UNITY BANK PLC	2010.0		.04	.24
WEMA BANK PLC	2014.0			
WEMA BANK PLC	2013.0	.0800	.00	.04
WEMA BANK PLC	2012.0	.4200	.02	.16
WEMA BANK PLC	2011.0		-.05	-.39
WEMA BANK PLC	2010.0	1.6300	.08	.79
ZENITH BANK PLC	2014.0	3.1600	.03	.25
ZENITH BANK PLC	2013.0	3.0100	.03	.27
ZENITH BANK PLC	2012.0	3.1900	.04	.32
ZENITH BANK PLC	2011.0	1.5400	.02	.20
ZENITH BANK PLC	2010.0		.02	.19

Source: Annual Financial Reports Various Issues

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HUMAN RESOURCE ACCOUNTING: Measuring and Creating Value in the Global Market through Intellectual Capital

By NGOZI BEN ANUONYE (PhD)

The measurement and recording of intellectual capital in an organisation is the basis for human resource accounting. Intellectual capital itself is the efforts of workers towards the growth of an organisation in terms of recruitment expenditure, training, remuneration and human development. The ability of organisations to measure and record intellectual capital in the global market has created problems in respect of the adequacy of value creation and valuation. This work is an empirical study on the effect of intellectual capital in the financial performance of firms in a global economy using insurance firms as a measurement variant.

Keywords: Intellectual capital, financial performance, globalisation, human resource accounting.

1.0 Background to the Study

Human resource accounting has been identified as the process of recording the value of workers as a form of asset in the books of a firm. It is the measurement of the resources of the workforce in relation to their recruitment, training and development for organisational growth.

Intangible assets are goods and services which have no physical stature and cannot be touched and felt. But they can be

felt and appreciated by the recipient. Intangible assets can either be definite (limited-life) or indefinite (unlimited-life). Intangible assets are embedded in what is now known as knowledge economy. This is the embodiment of intellectual efforts in an environment characterised largely by intellectual capital. Intellectual capital itself is the aggregate of human resources which can be measured and through which organisations can gain competitive advantage. Human resource accounting is the process of recording these values in the books of a firm. Service industries

such as financial institutions, information and communication sectors, and others provide a unique case study where reliable recognition and measurement of intangible assets may be possible. Intellectual capital plays a significant role in the performance of such industries in the world economy. The greatest asset of a service industry is therefore its human resource (Volkov & Garanina, 2007).

International markets are global business organisations whose coverage includes a wide range of entrepreneurial skills and endeavours. International markets are related to globalisation. Globalisation is the emergence of international networks of economic and business systems. Globalisation is therefore the emergence of world dominated businesses characterised by deregulation and modern communication processes. The existence and promotion of globalisation is fundamentally hinged on the input of the workforce. This input is pioneered and driven by intellectual capital competences. The effects of intellectual capital on international markets are positively enormous.

Generally speaking, the importance of intellectual capital is becoming more widely recognised, and demand for the application of intellectual capital is increasing (Moslehi, Mahogar, Badie & Lucas, 2006). This is due to the fact that employees possess the intellectual capability that plays crucial roles in creating value. They gain an advantage which allows them to compete in both the local and international markets which will subsequently create wealth for the investor. Although it is true that both tangible and intangible assets are needed in the service industry, yet the need for measuring intellectual capital and including it as an intangible asset in the companies' books may be much more important than the need for tangible assets. Intangible assets are required in order to build a competitive advantage for the organisation. Non-disclosure of such assets will create misinformation about the value of such an organisation (Holland, 2009). A firm's financial reporting should include both tangible and intangible assets in order to present the total resources that create value for the enterprise (Mahamad & Salman, 2011). For instance, in the agricultural sector which, rely mainly on the traditional inputs of land and labour, physical rather than intellectual capital is more important in the process of wealth creation. However, in other sectors such as insurance, banks and information technology, which rely mainly on knowledge, intellectual rather than physical asset is more important in the process of wealth creation. Thus, it has been observed that knowledge-intensive companies are often underestimated in the market because they are highly dependent on intellectual capital and have less physical assets (Volkov & Garanina, 2007; Brymer, Molloy & Gilbert, 2014). Whereas intangible assets that constitute the value of a company's intellectual capital need to be taken into account in financial reporting (Kujansivu & Lonnqvist, 2007), the elements of knowledge-driven economies are knowledge production and

“ Human resource accounting is the process of recording the value of workers as a form of asset in the books of a firm. It is the measurement of the resources of the workforce in relation to their recruitment, training and development for organisational growth ”

knowledge innovation, and the sources of these innovations are intellectual capital or knowledge capital (Bontis, 2004). For instance, the IPO of Alibaba Group in the US Stock Exchange on 18th September 2014 at an initial offer price of \$68 rose to \$93 within 24 hours. This was an unprecedented market growth of about 48% in one day. According to World Bank Report (1998–99), knowledge capital is the key to sustained economic growth and improvements in human well-being. For countries in the vanguard of the world economy, the balance between knowledge and resources has shifted so far towards the former that knowledge has become perhaps the most important factor in determining the standard of living in the economy. Therefore, today's most technologically advanced economies such as USA, China, Japan and others are truly knowledge-based. The report further emphasises the importance of knowledge to development as well as the risks and opportunities that information revolution poses for developing countries. Thus, knowledge has become the key economic resource and the dominant and perhaps even the only source of competitive advantage. The reality towards a knowledge-based economy suggests that we treat intellectual capital as a resource just like any other asset. This means that such expenditure should no longer be treated as a cost but as an investment (Pulic, 2004). So, in knowledge-driven economies such as the UK, Japan, UAE (Dubai), to mention but a few, skilled employees, who constitute the intellectual capital, play crucial roles in creating value through increased efficiency.

If organisations are to survive in this competitive information-age, they must use measurement and management systems derived from their strategies and capabilities which are embedded in intellectual capital competences. Hanson (1997) observes that poor measurement and inadequate reporting of human resources pose the risk of under-estimating the value of firms internally by managers and externally by the capital markets.

The significance of the measurement and management of intellectual capital in international markets includes the ability of the financial reports to possess a reasonable degree of accuracy and reliability. Financial reports which include human capital components are presumed to possess the needed quality required for financial reporting in the present day global economy. Intellectual capital as a form of intangible asset is therefore a formidable component for value creation (Anuonye, 2014).

2.0 Review of Literature

In the review of relevant literature, the focus is on the measurement of intellectual capital and its relationship with the financial performance of international markets. The review comprises of the conceptual framework which evaluates the historical perspective of intellectual capital, defines the dependent and independent variables and explains some of the theories behind them. Then, the theoretical framework is also

reviewed. This comprises of the review of local and international works already carried out on intellectual capital measurement in a number of countries and industries.

2.1 Conceptual Framework of Intellectual Capital

Intellectual capital as a dominant factor is one of the most important resources on which companies rely for the improvement of their profitability and efficiency.

Flamholtz (1999) reiterates that the world economy has shifted from the industrial in which plant and equipment were the core assets to the post-industrial in which intellectual capital is the core asset. While most firms in the industrial era by definition relied on manufacturing capabilities, companies in the post-industrial era now rely almost completely on knowledge and information for survival and profit. Intellectual capital is hinged on knowledge and information.

The basis for the above argument is corroborated by de Pablos (2003) and Bontis (2004) who argue that a company will gain a competitive advantage if intellectual capital is effectively harnessed in the organisation. The drivers of this intellectual capital advantage (Pulic, 2004) may be found in all employees as well as the organisation's ability to create value under a market assessment. In other words, intellectual capital (Nielsen, Bukh, Mouritsen, Johansen & Gormsen, 2006) is represented by the company's stock, such as skilled employees, knowledge and management philosophy.

The measurement of intellectual capital on the profitability and performance of the international market is a key challenge to managers towards the fulfilment of their stewardship obligation to investors who rely on the financial information of such firms in evaluating their performances. Therefore, intellectual capital is the experience, organisational technology, customer relationship management and professional skills that make a company more competitive in the market (Edvinsson, 1999). These are translated into employee costs in the form of salaries, wages, training, trademarks, patents, customers' loyalties and so on. For example, the inclusion of intellectual capital contributions in the financial reports of early organisations such as R.G. Barry Corporation and Skandia Insurance Corporation (Edvinsson & Malone, 1997) helped to pioneer and increase awareness in the concept of intellectual capital reporting.

According to Pulic's (2004) Value Added Intellectual Coefficient (VAIC) measurement, intellectual capital can be measured through:

2.1.1 Human Capital (HC):

Broadly speaking, human capital is the totality of the output of the individual engaged in the production of goods and services for the benefit of society. In other words, it is the conscious effort of the worker to aid production and service for the general economic well-being of the populace. Human capital is the value of all the workers in the organisation with all the attendant rewards attached to their utilisation (Verguwen & Alem, 2005). According to Roos & Roos, (1997), these capabilities are peculiar to the workers even though the organisation invests in such capabilities. The workers go away with the human capital

training gained in the organisation whenever they leave the organisation. It can therefore be asserted that human capital is the generic term for the competences, skills and motivation of the employee. These capabilities comprise of all qualities and professional skills the worker brings into the workplace. They are owned by the worker and leave along with him whenever he leaves the organisation. In monetary terms, human capital is the totality of all remunerations and rewards paid to the worker. It includes salaries, wages, fringe benefits, allowances, training and development costs. Human capital (Namvar, Fathian, Gholamin, & Akhavan, 2011) is at the heart of intellectual capital measurement. Consequently, understanding the role of human capital and its effects on other dimensions in different industries is an important task which should be considered in human resource accounting and its applications in modern business practice. In technical terms, human capital is the training, higher education, training courses and seminars as well as practical work experiences gained in an employment. It also includes

“ While most firms in the industrial era by definition relied on manufacturing capabilities, companies in the post-industrial era now rely almost completely on knowledge and information for survival and profit. Intellectual capital is hinged on knowledge and information ”

engineering know-how, salesmanship, computer as well as other professional (compulsory and optional) trainings associated with the worker's education and personal development. From the social competence perspective, human capital consists of the ability of the worker to get on well with people, communicate and discuss in a constructive manner, nurture trust and good behaviour that brings about a comfortable co-operation in the work place. It would include the ability to learn self-consciousness in handling criticisms and risks as well as the creativity and flexibility of individual employees for harmonious co-existence within the work environment.

Human capital also has a motivational dimension. It plays an important role within the organisation by assuming responsibilities which are committed to the fulfillment of tasks and the willingness for an open knowledge exchange in such areas as satisfaction with labour situations, identification with the organisation, sense and participation in corporate achievements. With respect to leadership, human capital has the ability to motivate and lead people, develop, communicate and implement strategies and visions towards enhancing corporate goals (Anuonye, 2014).

These skills can be evaluated through the worker's negotiation skills, assertiveness, credibility, working on one's own responsibility, creativity and being proactive in matters affecting

his employment (Soumet, 2007).

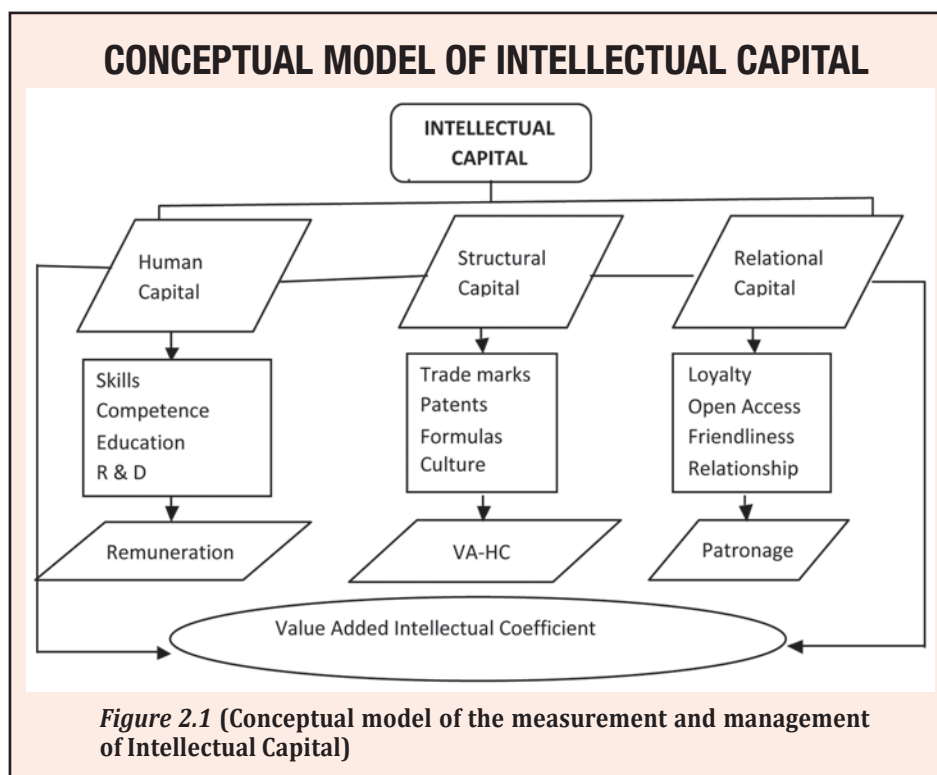
2.1.2 Structural Capital (SC):

This is the wheel upon which human capital rotates. It is usually referred to as the supportive infrastructure that enables human capital to function in an organisation. Structural capital is owned by an organisation and remains with it even when the worker leaves the organisation. According to Edvinsson and Malone (1997) structural capital can be further classified into Organisational capital, Process capital and Innovation capital. Structural capital consists of trademarks, patents, formulas, management style, company reputation, image, corporate culture, networking, mission and vision. It is the difference between non-thinking and thinking resources that use very different management methods such as culture, organisational processes, technology, absorptive capacity and information systems to achieve corporate goals (Namvar, Fathian, Gholamin, & Akhavan, 2011). Structural capital is of strategic importance in the corporate planning and growth of any organisation. Structural capital can be evaluated on how employees, organisational units and different hierarchy levels of workers exchange information and co-operate together on organisational projects. Such results must focus on knowledge transfer among employees within the organisation. Structural capital will enhance corporate culture which comprises of all values and norms, knowledge transfer and the working manner which is always peculiar to every organisation. It also includes compliance to rules and the ability of the workforce to corporately handle failures when they eventually occur.

Structural capital may also influence business operations in such areas as product innovations, budgeting and so on, (Soumet, 2007). In practical terms, structural capital is calculated as the difference between *value added* and *human capital* (Anuonye, 2014).

2.1.3 Relational Capital:

This is the build up of business relationship which may enable an organisation to stand out among its business equals and competitors. It is the inclination that the customers have over the goods and services of an organisation. It is the preference and loyalty that customers have over a company's brand when compared side by side with the products and services of other companies. Anuonye (2014) reiterates that relational capital is the relationship which an organisation has with external groups and persons over time. Such would include trade relationships with the past, present and potential customers; suppliers, partners and the public at large. According to Soumet, (2007) for an enterprise to maintain a high degree of relational capital, the organisation must exhibit very high sense of salesmanship



and marketability with its sales team as well as open access to customers.

2.2 Intellectual Capital as an Asset

It has been argued that since organisations use intellectual resources to generate future revenues, such resources should be considered when valuing a company by capitalising instead of expensing them in the current period. And since all assets are reported on the statement of financial position, intangible assets in the form of intellectual capital should be reported along with physical assets. In the developed economies (Lev, Canibano & Mar, 2005), there has been a shift from the industrial economy, in which tangible resources were dominant, to a knowledge economy, in which intellectual capital is a critical resource and a key determinant of competitive advantage, economic success and value creation in firms.

The treatment of human resource costs such as training and development in the statement of profit or loss should no longer be acceptable with the emergence of human resource accounting in the modern business environment.

To qualify as an intangible asset, the entity should have rights or access that will enable it have control over future economic benefits of the asset through legal protection or physical custody. The intellectual resource assets should be able to generate cash flows because the services of workers are expected to create economic benefits for the organisation. It is argued that some form of control is sufficient for the recognition of human resources as an asset. This is so because money is spent on the development of human resources to enhance the future economic prosperity of the organisation.

Another criterion for the measurement of intangible assets

is the existence of a market. This is central to the reliable measurement of a human resource. There must be sufficient evidence of a change in the assets of the organisation as well as the expectation of future inflow. In financial reporting, the recognition of intangible assets is dependent upon measurement. And conversely, the measurement of intangible assets is dependent upon the existence of a market.

Intangible asset measurement also has an economic perspective which leads to increase in the Marginal Revenue Product (MRP) of the worker through *general industry training*. It has been observed that under general industry training, human resource value to the organisation is increased and so is intellectual capital value. Therefore, an individual will contribute more to the organisation but will possess greater skills. This will lead to a greater demand in the labour market for his services. To prevent movement to another organisation by the employee, an

usually taken as the aggregate of the contributions of all workers in an enterprise.

2.3 Nature of Intangible Assets

Assets are said to be intangible where:

- 1) They have no physical substance and are non-financial.
- 2) They entail expectations of economic benefits that carry no legal rights or legal rights in relation only to persons in a group rather than to specific persons.
- 3) The asset can be identifiable. The asset must be capable of being disposed of separately without disposing the business entity as a whole.

In this regard, goodwill may be assumed to differ from intangible assets in that it is not separately identifiable, that is, it cannot be disposed of separately without disposing off the business of the entity (Rowbottom, 1998).

In all of these, it is important to reflect the changing economic structure of the global market. For example, the principle of *substance over form* requires that the economic substance of a transaction rather than its legal form be accounted for. The substance of a transaction is most preferred as it accurately reflects the economic activities of an organisation.

2.4 Importance of Intangible Assets

Intangible assets have positive impacts on the financial position and performance of an enterprise. They influence an organisation's ability to generate cash flows. The stewardship function of management demands that management should be held accountable for all the assets and liabilities to which they are entrusted. Such assets may be of a tangible or intangible nature. Information on the intangible

assets of the entity is relevant to economic decision-making.

Intangible rather than tangible technology with qualitative transformation now adorns the industries where different blends of resources are used for the production and distribution of goods and services. It can therefore be stated that:

- 1) The feature of human resource accounting in the modern economy is the creation of added value through product differentiation. The present accounting standards do not recognise such features.
- 2) Under the current accounting practice, it is difficult to assess rates of return on intangible assets or evaluate shifts in their characteristics.
- 3) The principle of the substance of a transaction over its form is more accurately reflected through human resource accounting.

2.5 Measurement of Intangible Assets

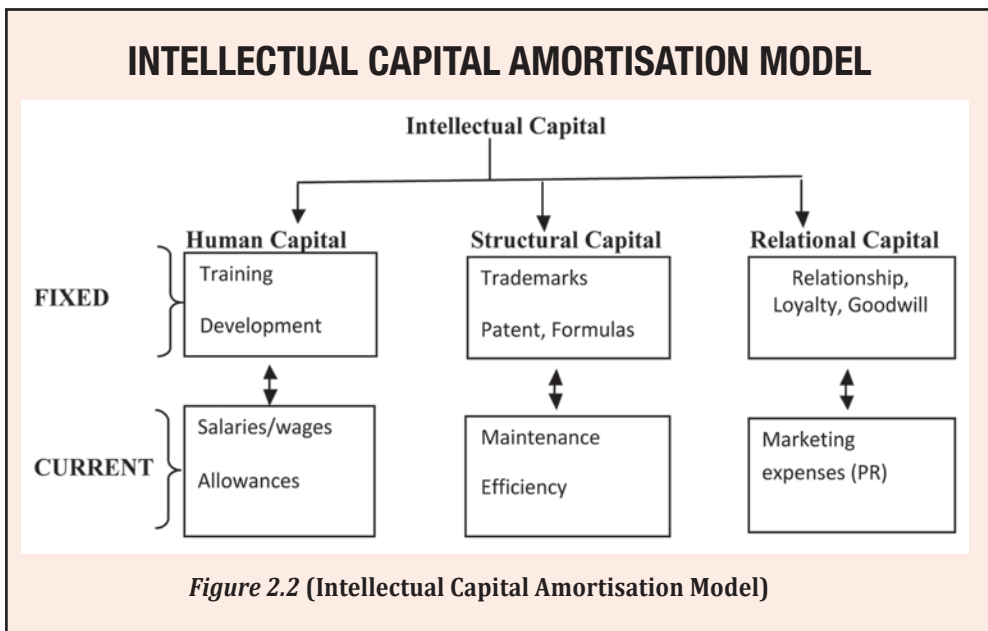
In measuring intangible assets, the dominant valuation bases are acquisition costs, replacement costs and market values. Each of these measurement bases requires the existence of a market. The existence of a market for such an asset is argued to be the main obstacle towards the widespread recognition of intangible assets in financial reporting. The future of human resource accounting can rely on the development of the above-mentioned methods.

Human capital is the totality of all remunerations and rewards paid to the worker. It includes salaries, wages, fringe benefits, allowances, training and development costs. In technical terms, human capital is the training, higher education, training courses and seminars as well as practical work experiences gained in an employment

employer will have to increase wages in response to the increased MRP of the worker.

On the other hand, with *organisation specific training*, the human resource value is increased and there is no change in intellectual capital value. This means that an individual will contribute more to the organisation but will be unable to confer similar services to other organisations due to the restricted nature of the specific training which he possesses. In this regard, the marketability of the individual has not increased, and so wages need not be increased because no other organisation may demand for his services which are specific to the company where he is presently engaged. The existence of a human resource asset centres around the degree of control an organisation can exert over the skills gained by the worker. If the organisation can exert a reasonable control, it will enjoy the benefits of general industry training alone. It can prevent any increase in marketability leading to a diminution in the value of the human resource by restricting movement to other organisations. This control is as critical as the market measurement criterion.

If no control can be exerted, the organisation is unlikely to enjoy the benefits of general industry training. The increased marketability that general industry training provides will cause the employee to leave the organisation or have remuneration increased. The concept of economic benefits in relation to persons at large is premised on the fact that human resources are



2.6 Amortisation of Intangible Assets

The greatest challenge in human resource accounting lies in the method of valuation. It is the method of valuation that will determine whether such costs should be amortised and at what rate. A number of valuation methods have been suggested in literature including that of Brumment, Likert and Flamholtz. Of these methods, (Okpala & Chidi, 2010) the original cost method by Brumment has been implemented by some companies. This method suggests that the costs of training and development be capitalised, while other associated costs on recruitment be expensed out in the statement of profit or loss.

It has also been argued that the amortisation of intangible assets will result into double-counting because charges have already been made in the statement of profit or loss as costs of maintaining the assets. This problem can be mitigated by painstakingly separating intangible assets into fixed and current costs (Rowbottom, 1998). It is therefore suggested that intellectual capital should be amortised over 2 to 5 years, depending on the management policy of the enterprise. Thus, measurement becomes critical in accounting for intangible assets because it provides the basis for recognition. In this regard, relevance must precede form.

Bragg (2011) asserts that the most appropriate amortisation method is the one that most conveniently matches the expected pattern of the consumption of an asset's expected future economic benefits. Where no definite criteria exist for the above determination, he suggests that the straight line method of amortisation should be adopted among other alternative methods. For intangible assets with finite lives, the amortisation periods and methods should be reviewed at least once in a fiscal year in line with the new IFRC regulation.

2.7 Accounting Standards for Intangible Assets

The International Accounting Standards Committee had earlier issued International Accounting Standard (IAS) 38 in September 1998 for intangible assets. It replaced IAS 9 on

Research & Development Costs (issued in 1993) which replaced an earlier version issued in July 1978. IAS 38 was subsequently amended by the following:

- ➔ IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors, issued in December 2003);
- ➔ IAS 16 (Property, Plant and Equipment, as revised in December 2003);
- ➔ IAS 21 (The Effects of Changes in Foreign Exchange Rates as revised in December 2003);
- ➔ IFRS 2 (Share-based Payment issued in February 2004); and
- ➔ IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations, issued in March 2004).

In March 2004, the IASB issued a revised IAS 38, which was also amended by IFRS 5. Since then, IAS 38 and its accompanying documents have been amended variously by:

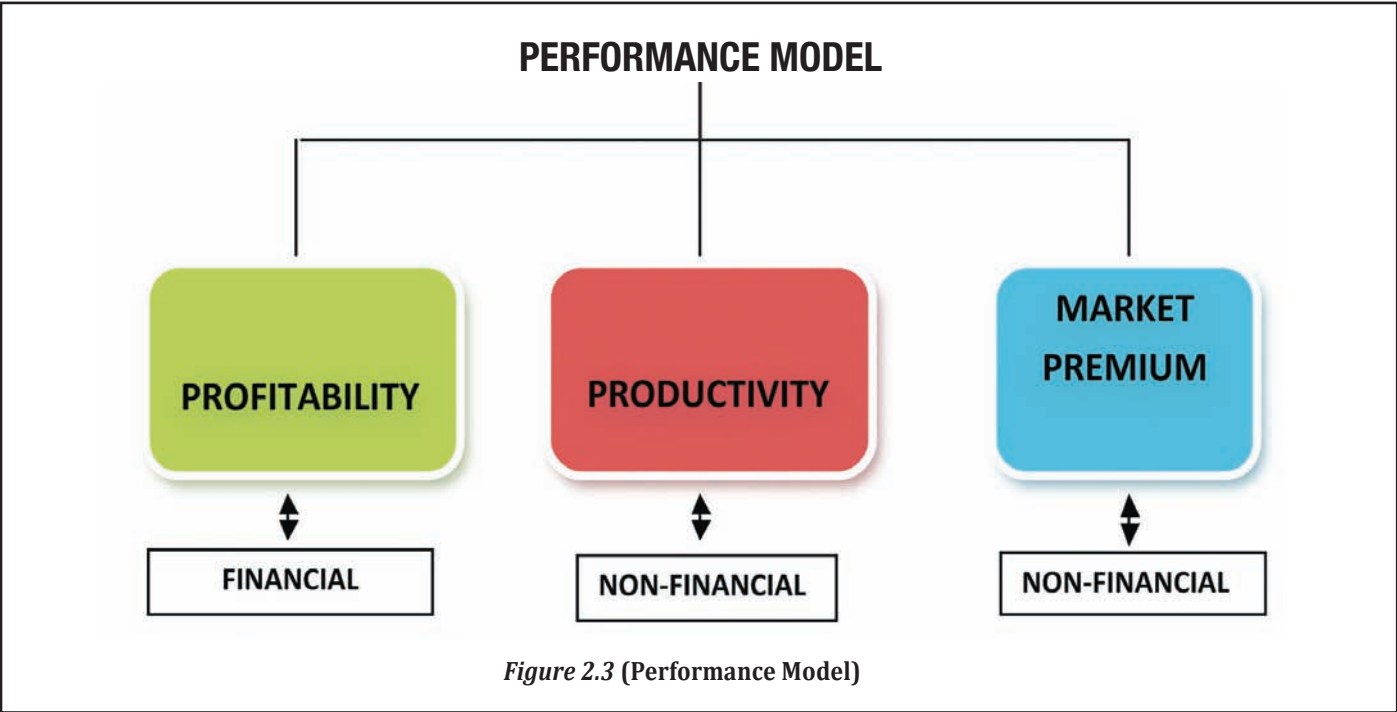
- ➔ IFRS 6 (Exploration for and Evaluation of Mineral Resources issued in December 2004);
- ➔ IAS 23 (Borrowing Costs as revised in March 2007);
- ➔ IAS 1 (Presentation of Financial Statements as revised in September 2007);
- ➔ IFRS 3 (Business Combinations as revised in January 2008); and
- ➔ Improvements to IFRSs issued in May 2008.

The main objective for the changes was to improve the quality of, and seek international convergence on Accounting for Business Combinations, Accounting for Goodwill and Intangible Assets acquired in business combination transactions.

The Standard requires an entity to recognise an intangible asset if, and only if, specified criteria are met. It also specifies how to measure the carrying amount of intangible assets and requires specified disclosures about intangible assets.

The previous version of IAS 38 defined an intangible asset as an identifiable non-monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes. It required an intangible asset to be recognised if, and only if, it was probable that the expected future economic benefits attributable to the asset would flow to the entity, and its cost could be measured reliably.

However, the requirement for the asset to be held for use in the production or supply of goods or services, for rental to others, or for administrative purposes has been removed from the definition of an intangible asset in the current definition. The previous version of IAS 38 did not define 'identifiability', but stated that an intangible asset could be distinguished clearly from goodwill if the asset was separable, but that 'separability' was not a necessary condition for 'identifiability'. Thus, the



Standard states that an asset meets the ‘identifiability’ criterion in the definition of an intangible asset when it:

- (a) is separable, that is, capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability;
- (b) arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

2.8 Conceptual Framework of Performance

Performance is a notable action of achievement. It is the measurement for what has been achieved by a company over time. Performance is an important outcome of the efforts of individuals or groups which is very essential to the growth of the organisation. It is the ability of an organisation to gain and manage resources effectively.

2.9 Theoretical Framework of Intellectual Capital

Over the years, a number of theories, models and definitions have been formulated through which the present day intellectual capital measurement is derived. These include:

- The Balanced Score Card (BSC) by Kaplan & Norton (1996).
- The Skandia IC Navigator.
- The Economic Value Added (EVA) by Stewart (1997).
- Market Value Added (MVA).
- James Tobin’s Q ratio – illustrated by Stewart (1997).
- Intellectual Capital Services’ IC-Index by Brooking (1998).
- The Technology Broker’s IC Audit by Brooking (1998).
- Intangible Asset Monitor (IAM) by Sveiby (1997).
- Real Option Theory (ROT).

- Citation-weighted Patents.
- Value Added Intellectual Coefficient (VAIC™) by Pulic (1998, 2000, 2004).

3.0 *Measurement of Intellectual Capital Variables (using the insurance industry with VAIC model):

Variable	Measurement
Value Added (VA)	Output – Input
Output	Net Premium
Input	Operating expenses (minus personnel costs)
Human Capital Efficiency (HCE)	VA divided by HC (VA/HC)
Human Capital (HC)	Personnel costs
Structural Capital Efficiency (SCE)	SC divided by (SC/VA)
Structural Capital (SC)	VA minus HC (VA –HC)
Relational Capital	
Efficiency (RCE)	VA divided by RC (VA/RC)
Relational Capital (RC)	Closing premium less Opening premium

** Edited from Anuonye, 2014*

Hence,

Value Added Intellectual Coefficient (VAIC) =
HCE + SCE + RCE.

4.1 Conclusion

Essentially, the inability of firms to adequately measure and record the intellectual efforts of their workers undermines the value creation of their organisations. Furthermore, where these human assets are properly harnessed, they will not only boost profitability but will also motivate workers to maximise their output in the workplace.

4.2 Recommendations

To achieve the aforementioned, it is recommended that players in the global market (including the International Financial Reporting Council) should:

1. Enhance the development of their workers through trainings, appraisals and remunerations necessary for growth and profitability.
2. Adequately value and record such human values as mentioned above.
3. Pioneer an accounting standard as soon as possible that will give guidelines for uniform accounting measurement of intellectual capital.

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Developing a Value-Based Approach to Corporate Citizenship Endorsement

By OKERE CHIMAOBI

The increasing global advocacy for CSR and responsible competitiveness has made Good Corporate Citizenship an important accolade sought-after by every responsible organisation. Oftentimes, simple acts of corporate charity are magnified and portrayed in shining lights to score the benefactor high on social performance. Such benefactors are sometimes rewarded with social recognitions and awards as good corporate citizens.

Away from self-acclaimed social stewardship, influenced and biased social performance reports shrouded in vague qualitative assertions, there is need for an objective and quantitative basis of performance appraisal, hence the Corporate Citizenship Index.

The Corporate Citizenship Index (C.C.I) employs Key Performance Indicators to produce a quantitative parameter for assessing enterprise CSR performance, pursuant to corporate Citizenship endorsement.

Based on the C.C.I, an organisation can be classified as a Novice, Intern, Enthusiast, Partner or Leader.

The C.C.I has the prospect of becoming a basis for performance benchmarking and standard setting.

As part of the recommendations, enterprises should adopt this quantitative approach in eliciting stakeholder views in a manner that is objective and transparent for planning and control purposes.

Keywords: Corporate Citizenship; Society; Stakeholders; Accountability.

INTRODUCTION

The global CSR advocacy campaign has created an expectation gap which businesses in the present virtual global market consciously strive to fill. While some work assiduously to bridge the gap, others try to pole-vault across. Those in the latter category throw a few carrots around; then run to the media to hype their efforts at a cost that far outweighs the value of the few carrots they could throw. The situation looks helpless, most times in less informed societies, as there are

no parameters for measuring performance; whoever runs to the street with a CSR tag receives accolades, for doing nothing.

However, Eberly (2008) noted that ‘social responsibility activities by companies have been identified as an important tool for achieving sustainable development’. It is therefore counterproductive to reward mediocrity and social ineffectiveness. The relevance of CSR in achieving sustainable development demands equal level of attention in all ramifications. In concurrence, Emenike (2007) stated that “long gone are

the days when the business saw itself as just converting raw materials into products for profits". The new order in corporate sustainability enjoins businesses to combine profitability with social responsibility; globalisation is also helping to awaken society's consciousness in this regard. This consciousness has "led to increased awareness on corporate social responsibility whereby the success of an organisation is measured not only by its financial performance, but also by its social and environmental impact" (Davies and Okorite, 2007:44). Those who are committed to the cause need to be identified and rewarded; participating entities should be able to measure their level of progress along the way; the unrepentant ones should be stripped of their old deceptive cover.

It is therefore imperative to fashion out an independent way of assessing an organisation's impact on its society; an objective way by which well-meaning organisations can also carry out self-assessment of their efforts in meeting society's expectations.

To this end, this paper sets out to develop a value-based and objective approach to establishing good corporate citizenship.

THE CONCEPT OF CORPORATE CITIZENSHIP

Under the social contract between business and Society, "business is expected to create wealth; Supply markets; generate employment; innovate and produce sufficient surplus to sustain its activities and improve its competitiveness, while contributing to the maintenance of the community in which it operates" (Cannon 1992: 31). The society in turn provides the social capital on which the business runs. The Society has expectations which the businesses should meet; entities that go out of their way to identify and meet such expectations are seen as good corporate citizens.

The concept of corporate citizenship represents a paradigm shift from the simplistic almsgiving under the guise of CSR. The corporate citizenship campaign emphasises a far more engaging and sustainable corporate commitment to the welfare of the society. "Corporate citizenship is about companies taking into account their impact on society and the environment, not just their impact on the economy. It is about (entities) assuming responsibilities that go well-beyond the scope of simple commercial relationships" (Robert *et.al* 2002). Good corporate citizenship is about effective CSR.

Corporate Citizenship can therefore be defined as the social status that accrues to businesses that are committed to the growth, sustenance and development of the society in which they operate. The commercial value of this Social status is seen as the positive responses and social actions from the public which translate into economic value to the recipient organisation by way of increased patronage, which in effect enhances profitability and business success.

Canon (1992) further outlined four obligatory responsibilities of good corporate citizenship, namely:

- (1) The economic and production tasks.
- (2) The maintenance tasks.
- (3) The adaptive function.
- (4) The managerial or political tasks.

(1) The Economic and Production Tasks

These include manufacturing and production of goods and

services and all tasks associated with the creation and maintenance of wealth

(2) The Maintenance Tasks

These include promoting activities like education, healthcare, religion and welfare services. These help in holding the society together, maintaining its stability and ensuring its continuation. Promoting these activities also ensures the sustainability of the social capital within the society which is made available for the businesses to use.

(3) The Adaptive Functions

These are those functions through which the business helps the society to adapt to change. An example of this is the introduction of Electronic banking (E-banking) services, Automated Teller Machine (ATM) and Point of Sales (P.O.S) machines by Nigerian banks, in order to keep customers in tune with the latest improvements in technology.

(4) The Managerial or Political Tasks

This calls for businesses to be social entrepreneurs, managing the conflicting demands and expectations of the society, while at the same time managing the relationship between the various institutions in the society.

The social role of business in society centers on corporate social responsibility. The business is expected to support the general well-being of the society by creating wealth and jobs for the society in order to improve the socio-economic condition of the society, through corporate charity, social entrepreneurship and environmental stewardship.

In making a business case for Corporate Citizenship, Roberts *et. al* (2002) observed that good Corporate Citizenship can provide business benefits in eight areas, namely: reputation management; risk profile and risk management; employee recruitment, motivation and retention, investors relations and access to capital; leading and innovation; competitiveness and market positioning; operational efficiency; licence to operate.

The absence of these benefits threatens the very existence and future of the business, hence, the importance of corporate citizenship in the life of the business.

CORPORATE CITIZENSHIP AND PERFORMANCE BENCH-MARKING

Corporate Citizenship seeks to identify the "true enterprise". The true enterprise is that enterprise that fulfils both its economic and social obligations. Good corporate citizenship is measured on the three performance levels, namely, economic performance, social effectiveness and environmental impact. These indicators are complimentary and mutually inclusive in establishing the true enterprise.

In harnessing these performance levels for appraisal and bench-marking, Azubuike (2007) identified a set of fifteen (15) criteria, namely: activity; internal citizenship; conviviality; creativity; ethics; respect for environment; satisfaction; local and

economic citizenship; competency ; efficiency and effectiveness; employability; health and safety; solidarity; social and collective utility; viability. These 15 criteria constitute Key Performance Indicators (KPIs) in assessing an organisation's economic performance, social effectiveness and environmental impact, towards corporate citizenship endorsement. Relevant details on these KPIs are presented below:

1. ACTIVITY: This assesses the activities undertaken by an organisation and how the organisation carries on its activities in line with regulatory standards. It also examines how its activities affect the natural resource base. The ideal is that the activities of businesses should neither violate regulatory and statutory provisions, nor destroy the ecosystem. Neither should their activities destroy the existing system of social relations.

2. INTERNAL CITIZENSHIP: This assesses the capacity of the business in promoting internal democracy. It measures the ability of board and management in ensuring transparency in the operations, to eliminate or reduce insider abuses. This is a measure of their corporate governance status.

3. LOCAL AND ECONOMIC CITIZENSHIP: This measures the relationship between the organisation and other organisations within the same locality and how the organisation relates with its external economic partners. It measures the organisations relationship with co-competitors, fund providers, suppliers and service providers.

4. COMPETITIVITY: This measures the organisation's ability to withstand her competitors by adapting to changes in consumers' taste and preferences, changes in production techniques, regulatory standards and market trends.

5. CONVIVIALITY: Conviviality measures the organisation's capacity in building, maintaining and promoting good social relations with, and among the communities in which it operates. Conviviality frowns at the "divide and rule" approach employed by some companies in their half-hearted alms giving, called 'compensation'. This leaves the beneficiaries, often times, at each other's neck, thereby causing a breach of the peace.

6. CREATIVITY: Creativity defines an organisation's ability to innovate and bring forth new ideas. Innovation begets new products; improves existing products; creates new business opportunities; develops new production processes and techniques. Creativity is therefore inevitable in building successful and profitable business organisations.

7. EFFICIENCY AND EFFECTIVENESS: These measure an organisation's ability in meeting stated objectives using available resources. Here an attempt is made to strike a balance between resources employed and results achieved; expected and actual results. Efficiency and effectiveness drive value creation.

8. EMPLOYABILITY AND DEVELOPMENT OF SKILLS: Employable labour force is part of the social capital available to business organisations (from the society). Beyond Consumption, the organisation should also help to re-create the stock of employable labour force. The employed workforce should be equipped with re-employment potentials through further training and skills development.

9. ETHICS: This measures the capacity of the organisation in upholding business, professional and operational codes of conduct together with applicable standards and statutes (local and global).

10. RESPECT FOR THE ENVIRONMENT: Respect for the environment prohibits acts inimical to the environment. Such acts include: gas flaring, oil spillage, emission of ozone-depleting substances, effluent waste discharges and other environmentally degrading acts.

11. SATISFACTION: This measures the ability of the business to produce goods and services that meet the needs of customers, while ensuring job satisfaction for employees and better returns for the owners.

12. HEALTH AND SAFETY: This measures the organisation's efforts at reducing personnel and third-parties' exposure to health risks. Products delivered to consumers should not expose them to health hazards; neither should the work environment endanger the lives of personnel. Also, employees should be provided with appropriate safety gears while factories and work sites should be equipped with the requisite safety gadgets.

13. SOLIDARITY: Solidarity measures the organisation's commitment in assisting and supporting priority groups like the physically challenged, people with special needs and the less-privileged, so as to give them a sense of belonging. Such groups should be considered for employment.

14. SOCIAL AND COLLECTIVE UTILITY: This measures the ability of the organisation to produce goods and services to meet needs that had not been met or were poorly met. It also includes businesses providing solutions to dire social problems through their operations. E.g. Telecom companies in Nigeria can provide toll-free lines through which distressed members of the society can reach the Police and other security agents when they are in trouble.

15. VIABILITY: This measures the capacity of the organisation to ensure its own longevity and durability (Azubike 2007). Economic viability ranks topmost on the economic objectives of businesses. Business profits breed economic viability; economic viability encourages corporate social responsibility. "Unless the enterprise performs its economic function, it will not have enough resources to perform other (social) roles nor will it survive long enough to be an agent of any form of change" (Cannon 1992:31).

These KPIs direct management's attention to the specific targets to be met in order to achieve the ultimate goal (by way of internal checks and control), while providing guidance to those in positions of advocacy, to demand for improved CSR. The external assessor also is equipped with a handful of criteria to guide his judgement. An independent assessment of an organisation using these KPIs provides an objective basis for assessing corporate citizenship.

THE CORPORATE CITIZENSHIP INDEX (C.C.I) AS A TOOL FOR SOCIAL AUDIT

Whilst conventional accounting reports are subjected to statutory audit, CSR and social accounting reports should, as a matter of public interest, be subjected to social audit. This is to allow for transparency in the reporting, and to ensure reliability of the reports.

The oxford dictionary of Accounting defined social audit as "an audit of the impact of the organisation on society". Social audit can also be defined as the systematic appraisal of an organisation's

social responsibility activities so as to assess its impact on the environment and society. It involves monitoring, measuring and appraising an organisation's Corporate Social Responsibility activities and expressing an opinion thereto.

As a Social audit apparatus, the Corporate Citizenship Index (C.C.I) measures the economic performance, social effectiveness and environmental impact of an organisation using the key performance indicators. When C.C.I is applied to social reports, it promotes objectivity in measuring and comparing the CSR performance of different organisations by external parties; to the organisations themselves, the C.C.I presents a social mirror through which the organisations can assess their corporate social image; it also provides a scale on which well-meaning organisations can weigh their behaviours and values.

In keeping with the tenets of social audit, the C.C.I provides a social tool that will not only help censure organisations' CSR activities, but also help the organisations to fine-tune their CSR strategies for better results. It therefore represents an objective parameter for identifying the 'true enterprise' — the Good Corporate Citizen.

METHODOLOGY FOR APPLICATION — CORPORATE CITIZENSHIP INDEX (C.C.I)

The Corporate Citizenship Index (C.C.I.) is hereby presented as an operational statistic for measuring good corporate citizenship. To achieve this quantitative assessment, stake-holders' view would be sought on the fifteen (15) social balance sheet Criteria, as they affect a particular organisation or a group of organisations, using a questionnaire. Their responses would be weighed on a 5-point scale. Members of the Board and Management of the affected Company should not be included as respondents. The members of the host Community (Youth and Elders), Customers, regulators, government agencies, independent observers, social and environmental activists, employees and other external economic partners are the target respondents. Members of the Community should account for, at least, 25% of total respondents, while employees should account for not more than 10% of total respondents.

The questionnaire will allow the respondent to select, for each Criterion, if in his/her opinion the organisation's performance is: Very Poor, Poor, Fair, Good or Very Good. The Sum of the responses (F), multiplied by a constant,"3", representing the three performance levels (economic performance, Social effectiveness and environmental impact), gives the total score of each of the responses (Very Poor, Poor, Fair, Good and Very Good). This total Score will be denoted by "3F". The total Score is then weighted by the appropriate weight, ranging from 0-4, corresponding to the various responses: Very Poor, Poor, Fair, Good, Very Good, respectively.

The weighted total score (3FX) will be expressed as a percentage of the total marks obtainable [180n], using the formula: $C.C.I = \sum \frac{3Fx}{180n} \times \frac{100}{1}$

- F = sum of each of the responses [VP, P, F, VG, G].
- X = the assigned weights: 0, 1, 2, 3, 4.
- 3 = A Constant, representing the three performance levels.
- N = Total number of respondents (for questionnaires returned).

180 = Total marks obtainable [15 x 3 x 4] from a single respondent.

The percentage outcome, the Corporate Citizenship Index (C.C.I), will determine the organisation's Corporate Citizenship grade and status, as shown below:

CORPORATE CITIZENSHIP RATING

Performance (%)	Corporate Citizenship Grade	Status
0-39	'F' Citizen/ Company	Novice
40-49	'P' Citizen / Company	Intern
50-59	'C' Citizen / Company	Enthusiast
60-69	'B' Citizen/ Company	Partner
70-100	'A' Citizen/Company	Leader

The **NOVICE** is yet to wake-up to the realities of time and runs the risk of the society's boycott of its programmes, products and services.

An **INTERN** is either a new entrant making modest contributions, or a former novice that has given-up the old ways.

An **ENTHUSIAST** is desirous of making an impact and is on its way to being a partner.

A **PARTNER** has matured in business and social responsibility, but is still growing plans and strategies to consolidate its social status, towards being a leader.

LEADER is the status for Companies who have incorporated social objectives into their corporate objectives .These companies have achieved a blend of purpose in economic performance, Social effectiveness and environmental impact. They are the 'Corporate Social Entrepreneurs'.

A hypothetical illustration is hereby presented:

NAME OF COMPANY:	ABC Oil and Gas Ltd.
TYPE OF BUSINESS:	Upstream Petroleum Operations
PERIOD COVERED:	Jan-Dec 20xx
NUMBER OF RESPONDENTS:	120
ANALYSIS OF RESPONDENTS:	
Community members	— 36
Employees	— 12
Regulators	— 10
Customers	— 13
Social/Environmental activists	— 15
Independent observers	— 11
Others	— 23
Total	<u>120</u>

Corporate Citizenship Index (C.C.I) = $\sum \frac{3Fx}{180n} \times \frac{100}{1}$

ANALYSIS OF RESPONDENTS' OPINION

S/N	CRITERIA	VP	P	F	G	VG	TOTAL
1	Activity	6	10	5	41	58	120
2	Internal Citizenship	0	3	20	50	47	120
3	Local and Economic Citizenship	4	4	26	32	54	120
4	Competivity	0	4	10	30	76	120
5	Conviviality	10	15	18	38	39	120
6	Creativity	2	5	19	34	60	120
7	Efficiency and Effectiveness	0	1	25	44	50	120
8	Employability & Dev. of Skills	7	12	11	38	52	120
9	Ethics	8	10	24	44	34	120
10	Respect for the Environment	4	13	17	36	50	120
11	Satisfaction	2	5	20	33	60	120
12	Health and Safety	6	10	20	38	46	120
13	Solidarity	7	22	40	21	30	120
14	Social and Collective Utility	10	27	39	30	14	120
15	Viability	0	7	20	23	70	120
Total (F)		66	148	314	532	740	1800

WEIGHTED SCORE OF RESPONDENTS' OPINION

RESPONSE	WEIGHTS (X)	SUM OF RESPONSES (F)	TOTAL SCORE (3F)	WEIGHTED TOTAL SCORE (3FX)
VERY POOR	0	66	198	0
POOR	1	148	444	444
FAIR	2	314	942	1884
GOOD	3	532	1596	4788
VERY GOOD	4	740	2220	4440
TOTAL		1800	5400	Σ3FX = 15996

international best practices in social responsibility. Then, the society would be better informed and well-positioned to demand for improved CSR. If applied in all good intentions, this social assessment medium will engender effective CSR and good corporate citizenship. The Corporate Citizenship Index (C.C.I) can form a basis for performance benchmarking and standard setting for both internal and external uses.

$$C.C.I = \frac{15996}{180 \times 120} \times \frac{100}{1} = \frac{15996}{21600} \times \frac{100}{1}$$

$$C.C.I = 74\%$$

Therefore: ABC Ltd. is an 'A' Company – **LEADER**.

CHALLENGES AND PROSPECTS

The greatest challenge facing this quantitative assessment is the independence of the assessor. Social reports are often times influenced by the entities concerned, to the detriment of the society. Another challenge is mass enlightenment. The new order in Social Accountability is driven by mass enlightenment. Mass Social enlightenment is needed to educate the members of the society on

SUMMARY AND CONCLUSION

Beside corporate donations, corporate sustainability is also a duty the corporation owes the society. The UN Global Compact defines sustainability as “a company’s delivery of long-term value in financial, environmental, social and ethical terms”. The blend between corporate economic objectives and corporate social objectives is a boost to the corporate citizenship status of the enterprise. The concept of corporate citizenship enjoins enterprises to fulfil both their economic and social obligations. Good corporate citizenship is therefore a measure of how well an entity is committed to achieving a blend between good business fortunes and positive social and environmental impact. In conclusion, promoting objectivity and transparency in corporate citizenship endorsement requires a quantitative basis of assessment. The Corporate Citizenship Index (C.C.I) represents

a quantitative assessment of an enterprise's commitment towards being a responsible corporate citizen. The Corporate Citizenship Index serves both external and internal uses, in that, whilst it can be used by external assessors in measuring and comparing entities' efforts and progress towards achieving good corporate citizenship, it can also be used by an entity in self-assessment and in measuring milestones in the journey to good corporate citizenship.

Under the Corporate Citizenship Index, Novice, Intern, Enthusiast, Partner and Leader are in themselves both accolades and milestones in the corporate citizenship pathway: accolades, from an external point of view; milestones, when used internally. Whether as accolade or milestone, each is won or attained transparently and objectively, through a quantitative metric.

RECOMMENDATIONS

► Entities should adopt this quantitative approach in eliciting stakeholders' views in a manner that is objective and transparent, for planning and control. By this, reporting entities can obtain in a transparent and objective manner, a quantitative assessment of what stakeholders think about them and their CSR efforts; and apply same in developing new CSR strategies, as well as planning and executing further social impact projects.

► The Corporate Citizenship Index [C.C.I.] should form basis for selecting Awardees for social and environmental performance Awards. Sometimes, corporate awards on CSR and corporate citizenship may be adjudged partial if the basis of selection is not transparent and objective. The Corporate Citizenship Index (C.C.I.) eliminates such controversies as it provides a user-friendly quantitative metric for such selection which allows for objectivity and transparency.

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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 Time Roman font and double spacing.

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

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.

Internet Reference

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

6. Every page must be numbered.

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

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA

THE COMMUNIQUÉ

Preamble

1. The 46th Annual Accountants' Conference of The Institute of Chartered Accountants of Nigeria (ICAN) took place between the 10th and 14th of October, 2016 at the International Conference Centre, Abuja and Sheraton Abuja Hotel, Nigeria. The theme of the conference was ***"Accountability. Now. Nigeria"***.
2. The conference was declared open on Tuesday, October 11, 2016 by His Excellency, President Muhammadu Buhari, GCFR, who was ably represented by His Excellency, Prof. Yemi Osinbajo, SAN, GCON, Vice President, Federal Republic of Nigeria.

Participation

3. A total number of 3702 delegates including invited guests and resource persons drawn from Africa, Asia, Europe and America attended the conference.

The Conference was graced by The Honourable Minister of Finance, Mrs. Kemi Adeosun, Head of Service of the Federation, Mrs. Winifred Ekanem Oyo-Ita, FCA as well as two serving State Governors – Senator Ibikunle Amosun, CON, FCA (Ogun) and Alh. (Dr.) Ibrahim Dankwambo, OON, FCA, (Gombe) and a former governor of Anambra State, His Excellency, Mr. Peter Obi.

The President of International Federation of Accountants (IFAC), Ms. Olivia Kirtley, who was the Lead Paper presenter, and Chief Operating Officer of the global body, Ms. Alta Prinsloo were also in attendance; while His Imperial Majesty, Ooni of Ife, Oba Adeyeye Enitan Ogunwusi was represented by HRH Oba Bankole Ojitalayo.

4. ***Observations and Recommendations***
At the end of deliberations, the following

observations and recommendations were made:

- i. In view of the numerous complaints of multiple taxation, policy inconsistencies and high cost of doing business in Nigeria, the government should strive to hold quarterly policy meetings with relevant stakeholders in Business, Industry, Finance, Trade and Investments. The ICAN Council and other professional bodies should leverage such meetings to make contributions to policy formulation for the benefit of the nation.
- ii. The government should create the enabling environment for doing business in Nigeria In order to attract the desired foreign direct investments into the nation's economy.
- iii. In order to strengthen the government's resolve to embrace the ideals of accountability, transparency and best practices in public sector financial reporting, government at all levels should partner with relevant professional and technical Institutes to build institutional capacity that would ensure the success of the initiative.
- iv. As part of the initiatives to promote accountability in the public sector and hold its functionaries to account, the government should create a Whistleblowers Protection Fund that will encourage and protect whistleblowers. Except people feel safe and protected, they would be unwilling to raise alarm over improprieties that may come to their attention.
- v. Although there is great concern about the growing trend towards public sector borrowing and the desire by the government to discard the cash call model of financing oil exploration, it is hoped that such borrowing by the Joint Venture partners would be optimally done and committed to the purpose for which the loans were taken. The government should ensure that other borrowings are judiciously committed to

finance infrastructural projects.

- vi. In view of the volatility in the global oil and commodity markets, the government should resuscitate the culture of saving for the rainy day. This will help insulate the local economy from the dynamics of globalisation.
- vii. There is need for government to set the pace for accountability by periodically and regularly publishing the level of achievement of the goals it set for itself as it is done in the private sector. Public sector leaders must engage the citizenry from time to time, imbibe the culture of stewardship reporting and be prepared to be held accountable.
- viii. The great efforts being made to diversify the nation's economy and the recent discovery of huge quantity of high quality Nickel in Kaduna are commendable and encouraging. While basking in the euphoria associated with the Nickel discovery, the government should however ensure this and other minerals are processed with value added before they are exported. This is to ensure that the nation derives maximum benefits from its natural endowments.
- ix. Nigerians should refrain from spending huge resources annually on foreign tourism, while historical sites and cultural festivals should be adequately, developed, preserved and publicised to elicit the interest of the citizens. Civic education and history should be re-introduced into the curriculum of primary and secondary schools in order to inform and educate children on the nation's heritage and good citizenship. Such an initiative will help to create more awareness about the tourism potentials of this country. With such knowledge, interest in local tourism will hopefully be stimulated.
- x. The crucial roles that the nuclear family, religious organisations, primary and secondary schools can play in the socialisation of children cannot be over-emphasised. Parents, teachers and religious leaders should therefore strive always to be worthy role models since the traits that people exhibit are largely a function of their upbringing and socialisation. The failure of the home is the failure of society.
- xi. As failure to take responsibility reduces trust and accountability, chartered accountants and other professionals should provide the right leadership as corporate leaders since public sector officials and many stakeholders rely on their representation and judgment.
- xii. All tiers of government should strengthen their institutions, implement sound internal controls to prevent fraud, waste and abuse. They should also embrace good political and corporate governance for the survival and growth of businesses and continuous attraction of Foreign Direct Investments.
- xiii. The current challenges facing businesses are threatening their existence. Corporate leaders should therefore regularly review their business fundamentals by periodically assessing their operational strengths, weaknesses, opportunities and threats in order to adopt global best practices especially in manufacturing. Above all, corporate leaders should improve their management and production efficiency in order to reduce costs.
- xiv. The participants commended the governing Council of the Institute for the success of the conference, the choice of theme and sub-themes, the selection of erudite resource persons and the overall planning and execution of the proceedings. They urged the Council to engage and persuade the relevant authorities to adopt these recommendations as recipe not only for quick recovery from the current recession but also to accelerate the pace of economic growth and development of the country.

Conclusion

Deacon Titus Soetan, FCA
52nd ICAN President

DATA ANALYTICS: Effectiveness in Business Management and Training

By ORSHI TERHEMBA EPHRAIM

This study analyses the use of Information Technology (IT) in business and also the potentials of adopting IT in business decision making and staff training. IT changes frequently but business standards remain for many years without major changes. IT and decision making are vital to both small and large organisations. Organisations and IT companies (e.g. IBM, Microsoft, Oracle, etc) have instantly stressed the need for a shift in business education by increasing the knowledge of information systems and IT knowledge. This paper examines the relationship between IT and business decision making particularly online training application like business simulation game and Online Analytical Processing (OLAP), generally called business analytics. The study examine these methodologies which are similar in many respect using two platforms, Cesim Business Simulation Game Application develop by Cesim, head quartered in Finland and Total Management Solution develop by TOMAS.DSE Group, head quartered in Slovenia both in Europe. Our past literature also indicated the potentials of IT in decision making as a result of simplified calculation processes and better presentation formats of the business data for effective decision making. The study also shows that IT can improve decision making efficiency and produce result effortlessly, timely and accurately. Also, previous literature findings indicate that IT has major impact on the costs, as implementing IT will result in big spending on the technology hardware, software and IT personnel, however, the benefits derivable from IT far outweighs the costs. CEOs, managers and all decision makers are recommended pay special attention to these methodologies for prompt and accurate decision making.

Introduction

Information Technology (IT) is a powerful tool that can play a big part in making an organisation's business a success. The world has recognised that the advent of internet computing would be very dominant and foremost in the near future. We can see the impact of the technology in many business areas such as training, trading, publishing, filming and many more. The IT and internet have provided the opportunity for organisations to offer their products to customers anywhere in the globe. Micheal Gilman (2003) discussed data mining technology and the importance of IT in providing higher efficiency resulting in

improved business decisions. However, the growth of IT and internet remain staggering, the larger portion is untapped in accounting and finance, especially management accounting which is the decision making section of any organisation.

The introduction of Cesim (www.cesim.com) simulation game; an application for business management training, and TOMAS (Total Management Solution – (www.tomasdse.com)) application which is for business analytics and decision support provide an alternative to traditional management information reporting in organisations. To emphasise the importance of IT training, many professional organisations have incorporated Information

Technology paper as part of the training program to introduce IT to individuals who want their membership. For example, Chartered Institute of Management Accountants (CIMA) and the Institute of Chartered Accountants of Nigeria have included Information Communication Technology subject in to their syllabus. This is to enable there members cope with the global transformation by IT.

WHAT IS BUSINESS SIMULATION?

According to Nzechukwu Patrick (2016), the word **simulation** means acting out or mimicking an actual or probable real life condition, event, or situation to find a cause of a past occurrence (such as an accident), or to forecast future effects (outcomes) of assumed circumstances or factors.

Computer simulation is the discipline of designing a model of an actual or theoretical physical system, executing the model on a digital computer, and analysing the execution output. Simulation embodies the principle of **"learning by doing"**. To learn about the system we must first build a model of some sort and then operate the model. Within the overall task of simulation, there are three primary sub-fields: model design, model execution and model analysis. A simulation may be performed through:

1. Solving a set of equations (a mathematical model);
2. Constructing a physical (scale) model;
3. Stage rehearsal;
4. Game (such as war games, or a computer graphics model (such as an animated flowchart)).

According to Nzechukwu Patrick (2016), **Business simulation (BS) game** is **simulation** used for **business** training, education or analysis. It can be scenario-based or numeric-based. Most **business simulations** are used for **business** acumen training and development. A **business simulation** is the **business** training equivalent of a pilot's flight **simulator**. Business Simulation is the imitation of the operations and management of a real-world business process, system, organisation, competing firms or an entire supply chain over time.

The quality of the underlying model representing the key characteristics of the complex "real world" is crucial. BS allows students to test their theoretical knowledge in a simulated world. BS is used mainly for educational and team development purposes, typically practicing strategic, financial, market or operational analysis, logical and creative thinking, and decision making, while at the same time working on personal skills (e.g., collaborating, negotiating), team building, management and leadership development.

WHAT IS BUSINESS ANALYTICS?

According to Nzechukwu Patrick (2016), as cited in Rapidminer, (2015), Data (Business) analytics or simply Analytics refers to the skills, technologies, applications and practices for continuous iterative exploration, evaluation and investigation of data or business operations to gain hindsight, insight and foresight for decision making. Also Nzechukwu Patrick (2016), as cited in Daniel, (2012), posited that Analytics is best captured by what IBM calls an Analytics triangle which categorises different types of Business Analytics based on the types of questions the user is trying to answer.

- **The base of the triangle is:** Descriptive Analytics and

answers the questions: What has happened in my business? Why has it happened? What do I know about my customers, competitors, suppliers, etc.? Examples of this are Business Intelligence, reporting, advanced visualisations, etc.

► **The middle of the triangle is:** Predictive Analytics and answers the questions: What is likely to happen? What is likely to be true about my customers, competitors, suppliers, etc.? Examples of this are forecasting, regressions, data mining, most big data applications, simulations, etc.

► **The top of the triangle is:** Prescriptive Analytics and answers the questions: What should I do? What is the best course of action given what I know and what I think will happen? Examples of this are optimisation, mathematical programming (LP, MIP, QP, CP, etc), heuristic algorithms, etc.

From the **Gartner's Chart**, Analytics consists of three major areas: Business Intelligence or Descriptive Analytics, Predictive Analytics and Prescriptive Analytics. "Essentially, Business Intelligence, Predictive Analytics and Prescriptive Analytics are interconnected solutions "doing what they can" to help companies get the most out of this new intimate knowledge" (WealthEngine Team, 2015, para 5).

Business Intelligence (BI)

According to Nzechukwu Patrick (2016), Internal Audit Practice, how it works from A to Z as cited in WealthEngine, (2015), Gartner defines Business Intelligence or Descriptive Analytics as, "An umbrella term that includes the applications, infrastructure and tools, and best practices that enable access to and analysis of information to improve and optimise decisions and performance." Another name for BI is Decision Support Solution. By *Gartner's chart*, we can answer the question, "What happened?"

Business Intelligence is data-driven decision-making tool. It includes the generation, aggregation, analysis, and visualisation of data to inform and facilitate business management and strategising. Business Intelligence focuses on using a consistent set of metrics to measure past performance and guide business planning. Business Intelligence consists of querying, reporting, OLAP (online analytical processing), and can answer questions including "what happened," "how many," and "how often."

Predictive Analytics

According to Nzechukwu Patrick (2016), "Firms have spent many years building enterprise data warehouses (EDWs) and using business intelligence (BI) tools to report on the business. But predictive analytics is different – advanced statistical, data mining and machine learning algorithms dig deeper to find patterns that traditional BI tools may not reveal" (Mike Gaultieri, Forrester Research as cited in WealthEngine, 2015). Predictive analytics goes a step further BI, by using algorithms to find patterns and develop probabilities to predict similar future outcomes. By *Gartner's chart*, we can look for cause-effect relationship, to answer the questions, "Why did it happen?" and "What will happen?"

Prescriptive Analytics

Nzechukwu Patrick (2016) stated that from descriptive and predictive analytics, was born prescriptive analytics, which is

basically exactly what it sounds like. Prescriptive analytics uses the knowledge gained through predictive analytics to build actionable, predictive models capable of prescribing healthier, more robust and successful action. Gartner describes prescriptive analytics as “the final frontier in big data analytics, where companies can finally turn the unprecedented levels of data in the enterprise into powerful action.”

Cesim online business management simulation games provide business learning with a robust educational software solution for international business and strategy, marketing, SME, Telecom, Power/Electricity and hospitality management courses as well as corporate and executive training programs. The hands-on business simulations complement theoretical education by providing an easy-to-use, interactive, risk free learning environment for participants to engage in. More than 300 institutions around the world use Cesim to teach over 100000 participants.

On the other hand, TOMAS is a comprehensive and integrated Corporate Performance Management (CPM) solution that combines CPM and BI features like:

- Strategic Planning
- Operative planning and budgeting
- Process modeling and optimisation
- Strategic maps, dashboards and scorecards
- OLAP analysis
- Quality support
- KPI monitoring
- Document management
- Corrective measures
- Investments monitoring
- Reclamations monitoring
- Corrective measures monitoring
- Financial consolidation
- Affiliates reporting
- Meetings management
- Bad performance alerting.

Lesley Meall (2004) discovered that upgrading systems to accommodate international accounting standards is costly, complex and time-consuming process but once necessary changes have been made, the business benefits extend beyond International Financial Reporting Standards (IFRS) compliance. Therefore, the introduction of IT in business functions like financial accounting and managerial decision making is irrefutable. IT is a large area to explore by companies and organisations. Thus, this study focuses on these two relevant methodologies (Simulation for training and Analytics for OLAP business analysis) using two platforms, Cesim business simulation game and TOMAS.DSE (Total Management System). As Cesim online business management simulation training instructor and TOMAS Consultant in Nigeria, my major focus will be to educate on the impacts and implications of the application of Cesim platform and TOMAS Balance Scorecard software for managerial training and business decision making respectively.

WHAT CESIM BUSINESS SIMULATION CAN OFFER IN TRAINING

Most business simulations (Cesim's included) are designed to be played by real players against real players and not artificial intelligence. This creates a very powerful element of chance, as

there is no way for students/participants to predict how their competitors will behave. They may follow a bold investment, heavy strategy or try to undercut others by setting their prices lower than the market average. Against this, just like in real life, the only strategy teams can have is being prepared for the unexpected and being ready to pivot if necessary.

Cesim business simulation has been adopted by many organisation and educational institution, among which are Shenzhen University, Beijing Normal University in China, Coventry University London campus, California Polytechnic just to mention a few. According to Veijo Kyosti, an inventor in E-Learning series and the CEO of Cesim, business simulations and other types of interactive e-learning are more important than ever, especially as the simulations have more connections to real-world applications and problem. Business simulations aim to teach participants how to successfully run a company; hence, participants are expected to follow basic tenets any good manager should follow when doing business.

After the introduction, the teams (Cesim Simulation participants) familiarise themselves with the decision-making process via a practice round. The practice round results will not have any influence on the actual game results. Each simulation market consists of 3-12 teams, with 2-8 members in each. The number of parallel simulation markets is not limited, making it possible to utilise the simulation for any number of participants. The following below case study is developed to show how Cesim simulation is used for training.

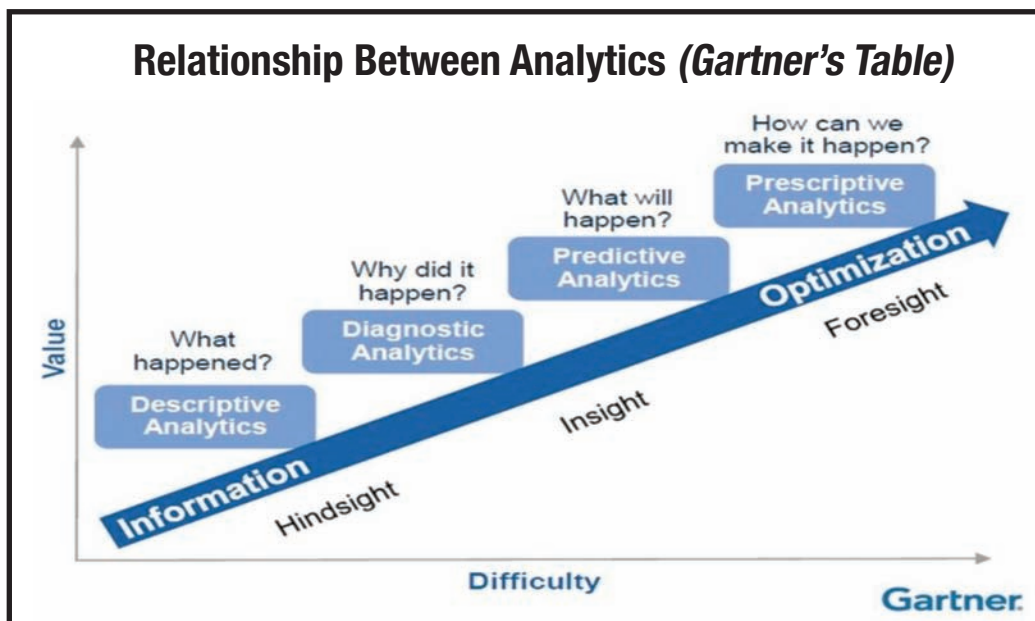
TOMAS AS A DECISION SUPPORT/BUSINESS INTELLIGENCE (BUSINESS ANALYTICS) AND CORPORATE PERFORMANCE MANAGEMENT SOLUTION

TOMAS (Total Management Solution) consists of several modules like Management information systems, Balanced Scorecard, Process management and Quality support, Business planning, etc. It supports all horizons of planning and management depth and through that all steps of Deming Cycle.

CPM addresses both operational and financial performance to include the process of collecting the data and performing analysis and reporting in a collaborative fashion for executives, managers, and staff through all levels of an organisation. To deliver an effective performance management solution, the CPM platform needs to address a comprehensive set of business and industry recognised requirements such as: Management information systems, Balanced Scorecard, Process management and Quality support, Business planning, Accounting Consolidation, Project Management, Customer Relationship Management, etc. which is use for decision support and analysis. A brief explanation of some of the modules is detail in this article below:

TOMAS.CRM

A Customer Relationship Management (CRM) is a term that refers the practices, strategies and technologies that companies use to manage and analyse customer interactions and data throughout the customer lifecycle, with the goal of improving business relationships with customers, assisting in customer retention and driving sales growth. The advantage against other similar solutions is that is linked to all other TOMAS modules, so on closer view you can see open claims, open projects, open tasks,



Source: Internal Audit Practice, how it works from A to Z by Nzechukwu Patrick; Copyright, CRC Press, Francis & Taylor Group, CA, (2016)

on screen all key elements of their business – in charts or tables. It enables drill-down to lower level, when and if that is necessary. An advantage of Tomas solutions is that first results are seen and useable in 1-2 months, because there is a good disposal with a white range of standard solution.

TOMAS.BP (IT Planning Tool) — Checking and Simulating Decisions

TOMAS.BP is IT tool used for preparing business plans for companies or organisations. This solution can be used for different planning purposes: annual plan, strategic plan, company plan, plan of group of companies, etc. You can prepare an optional number of versions of plan (optimistic, pessimistic,

report data... You can view all mails exchanged with partner's contacts either send from TOMAS or Outlook (gmail...)

TOMAS.DAS (TOMAS Dashboards): Dashboards offer quick and practical overview of the company's results from different areas with the morning coffee. They are updated automatically from MIS (OLAP cubes) or any ERP platform but also from excel files or Input tables. The data is updated every morning. From observing dashboards and spotting potential problems users can decide if they want to explore the date more in detail using analytical multidimensional tools like TOMAS.MIS.

TOMAS.BSC (Balanced Scorecard) – for Transforming Strategy into Action

In **TOMAS Balance Scorecard**, activities such, defining mission and vision of the company, defining strategic objectives and setting actions (targets) to achieve strategic goals are perform. Strategies are effectively deployed and communication is link across the whole company through derived strategic objectives for business units, markets and products. Measurable targets for each business unit are set and linked to strategic objectives. For each strategic objective, are determined tasks, terms, and responsible (individuals), i.e. responsible reports about tasks realisation. There are also, determined for each strategic objective goal to measure successfulness of task realisations. Successfulness of workers can be measured and rewarded.

TOMAS.MIS — be Informed and Alerted

TOMAS.MIS already enables competitive advantages to managements of numerous companies. TOMAS.MIS integrates all available information from operational level of business and it is aimed for managers to support their decision making process, reinforce their business judgment and strengthen the company's sensitivity to market signals. Every morning, manager can see

etc). Solution enables planner's total freedom in definition of any number of different input tables for planning. It enable define workflow of planning procedures, people involved and tasks they need to perform. When all responsible people input their planned data and planners confirm them, simulations on those data is perform and "What if" analysis. With change of any parameter of the plan, you can immediately see the effect on the success of the whole company, specific Business Unit (BU), market, product or marketing channel.

TOMAS.Process – Business Process Re-engineering and ISO Support — for Modeling Processes and Focusing them into Success and Excellence Achievement.

The critical elements of business processes can be analysed and goals of optimisation and reengineering are determined. Simultaneously, processes are described in according to ISO standard methodology, so that judgment can be made simple through computer. Applications are connected with application for document management, every change on document is immediately seen on processes.

TOMAS.Projects/Tasks

Using this module you can dedicate and monitor tasks/projects and reports associated with tasks. Simple tasks or complicated projects task can be created. Task monitoring can be done through mailing system: every user gets an e-mail when task is dedicated to him/her. Next e-mail is sent two days before deadline and then each day if the user is late finishing the task. Responsible and members of the project group get an e-mail when report is submitted.

TOMAS.Cons — Renewing and Automating Consolidation Procedures

TOMAS.Cons doesn't demand unique and expensive ERP for

A Typical Business Simulation Flow



all companies in group. Main functions are automation of data loading from different sources, currency conversion, bookkeeping standards conversion, automation of consolidation procedures.

Others include:

TOMAS.DM — (Document Management) for Quick Document Searching

TOMAS.Invest — for Checking Investment Decisions

TOMAS.Meeting — for Increasing On-time and Quality Task Realisations

Carol Wong (2003) examined the efficiency and data consolidation using right and appropriate accounting application, taking example of Audrey International Company, which has deployed new accounting system for Dynamic Business Solution. TOMAS – CONSOLIDATION (**TOMAS.CONS**) offer consolidated balance sheet (Statement of Financial Position), profit or loss statement (Statement of Comprehensive Income) that is compulsive by legislation as well as for management control in merging and acquisition of companies, subsidiaries, etc. The main objective is to get the proper information on business and financial status of subsidiaries and parent companies. Consolidated statement of financial position give us assets, financial status and profit or loss of the subsidiaries and parent companies in the way as it is one company only, yet they are all economically independent companies (concerning tax, legislation and organisation).

Methodologies chosen should comprise adjusted presumptions, bookkeeping principles and country legislation. Consolidated statement of financial position is not just the result of the bookkeeping department, but is also very important information for management and future planning. With the help of TOMAS.DM (Document Management), all documents of the company can be accessed in digital form, whenever and wherever. User friendly application offers only documents, to which certain user has rights. Application enables changes follow up, documents can be reconciled and confirmed, and companies can review current and previous versions, document rights.

Connor & Martinsons (2006) commented that information technology is a precious assistance because they provide information for making decision. David Kay (2003) examines the investment on technology for organisation on new support initiatives for customer service. TOMAS (head quartered in Slovenia, EU) and due to the flexibility of the platform, many organisations have considered the platform worthy of use for management and business decision making.

Some of the organisations currently using TOMAS are Afrodita Cosmetics, Comita Slovenia, Slovenian Steel Industry (SIJ) which are using the Projects, Business plan and Report (WEB reporting)

module respectively. Others using the balance scorecard are, the Sane Pooyesh Iran-partner, the structure Jordan-partners and KUDU Saudi Arabia just to mention a few.

Dechow *et. al.*, (2007) emphasised the importance of information technology in management control. Using the TOMAS Dashboard, Key users and management can get quick overview of company's state and of potential problems without relying on service that prepares the data. Users are not overwhelmed with the quantity of data and that allows them to see problems straight from the Dashboards. After spotting the problem management can dedicate tasks to deal with the problem (with being noticed if responsible is being late on his/her task).

BENEFIT OF USING CESIM BUSINESS SIMULATION

Risk Free Learning

One of the foundations of the 'learning by doing' concept of business games is the acceptance of failures, correction of mistakes and the ability of deriving valuable hands on learning experience from them. This very tenet is what made Silicon Valley become the unique and striving start-up hub it is today; and it is an invaluable skill for students/participants to equip themselves before embarking on their journey as working adults or experienced professionals.

What makes business strategy games an excellent tool to practice real world business decision-making skills is that everything happens in a risk free simulated learning environment, where students/participants are encouraged to try out different strategies, observe the results, monitor market fluctuations, then pivot their direction, all without real-life repercussions.

Interactive Gameplay

Another appeal of many games is their real time feedback on decisions made. This not only makes them more engaging, but helps students/participants to practice a number of different strategies in a short period of time to discover what works best.

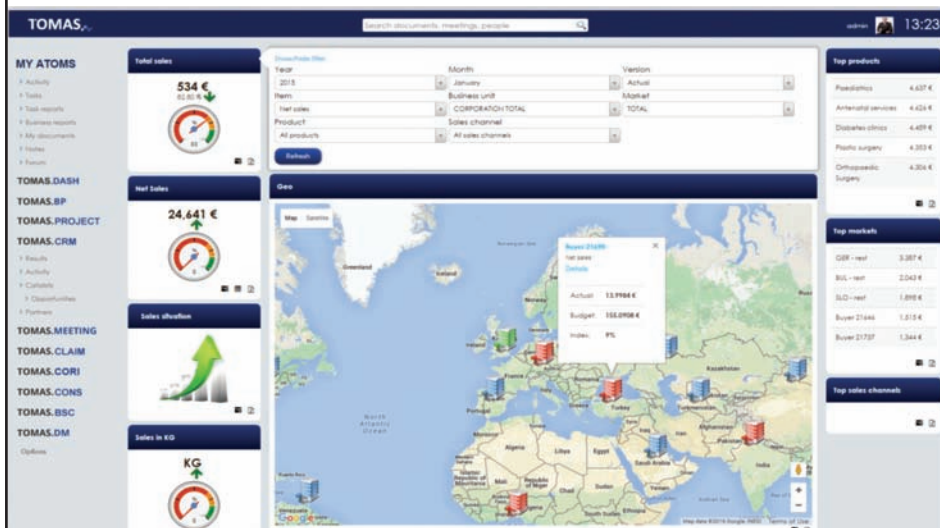
Cesim simulations employ a round-based system, thus giving students/participants the opportunity to strategise with their teammates before making the final decisions, and allowing the instructor to schedule and manage his/her course better. The dynamic aspect is prevalent however, in the decision-making areas, the students/participants can immediately see the effect of their choices once they start experimenting with the decisions.

Accounting

Cesim's business strategy game contains detailed financial information (projections) for each virtual company which students/participant manipulate in their decision, such as the:

- Income statement (global, and all areas separately)

A Typical Balance Scorecard View (TOMAS Dashboard)



- Balance sheet (global, and all areas separately)
- Financial ratios (EBITDA, ROCE, ROE, etc...)
- Parameters (exchange rates, interest rates, corporate tax rates, etc...)

Economics

Cesim's business management simulation game is heavily focused on how economic agents behave and interact, and how economies work. The simulation is especially good at illustrating this concept on a microeconomic level, between individual agents (buyers and sellers) and markets. Concepts within microeconomics that you can illuminate with the business game are:

- Markets
- Production, cost, and efficiency
- Specialisation
- Supply and demand
- Firms.

Strategic Management

Cesim Global Challenge is a great opportunity for the participants to practice long term strategic planning, often by creating the vision, mission, objectives and other policies for their virtual companies. They should then be advised to review this strategy after each round, and adjust it according to the market development. Because the overall goal of the business simulator game is to create sustainable and profitable growth, this is an excellent tool for instructors to assess the ability of participants to plan and execute.

Business Objectives (SMART)

All businesses need to set objectives for themselves or for the products or services they are launching. What does your company, product or service hope to achieve? These are the kind of questions that participants will have to answer in Cesim's marketing simulator, and one great way to do it is by utilising the SMART system. This simple acronym stands for Specific,

Measurable, Achievable, Realistic and Time. Cesim instructors make sure students/participants understand the importance of objective setting, and how it helps the company focus on specific aims over a period of time and can motivate staff (in this case team mates) to meet the objectives set.

PEST Analysis

Because each round starts with a new market outlook that helps participants/students determines the likely development of the market, this is a great opportunity for doing a PEST analysis (political, economical, social, technological).

Competitor Analysis

The multiplayer environment of Cesim's marketing game allows

for a very unpredictable market development based on your competitor's decisions from round to round. This fact warrants regular competitor analyses that the teams have to conduct in order to stay ahead of the curve and be able to pivot their strategies against that of competing teams.

Micro-Environmental Factors

Otherwise known as stakeholder analysis, the micro-environmental factors include customers, employees, competitors, media, shareholders, suppliers, and the company. In CesimSimBrand, participants will be exposed to the customer, competitor and the company (their own) factors, and the interconnectedness between them.

New Product Development

Product portfolio decisions are crucial. At any point during the marketing strategy simulation game, the team can have a maximum of 6 products in its portfolio. Products can be sold in anywhere depending on the strategic decision of the company. Product decisions are on:

- Product name
- Market selection
- Upgrade (if you want to keep existing product do not click upgrade)
- Design (one design only)
- Features (one or more features)
- Compactness level (higher is better)
- Battery life level (higher is better).

The Marketing Mix (4 P's)

Decisions regarding product, price, promotion and place complete one of the most well-known marketing concepts; the marketing mix. It is a tool used by the teams to assist them in pursuing their objectives by carefully managing these four controllable variables to meet the needs of the defined target groups. The teams in Cesim's business marketing game will have to carefully analyse the four available market segments in order

to design desirable, correctly priced, well promoted, and properly placed products.

Marketing Budgets

There are a number of ways in which firms can calculate how much to allocate to their marketing and advertising spend. These methods are:

- The objective and task method.
- Competitive parity method.
- Percentage of sales approach.

Each of these can be applied in Cesim's marketing simulation, and then compared to measure the level of relative effectiveness to each other.

SWOT Analysis

This tool is used by organisations to help the firm establish its Strengths, Weaknesses, Opportunities, and Threats. A SWOT analysis is used as a framework to help the firm develop its overall corporate, marketing, and product strategy. In the simulation this can be done after the first practice round, when the participants have been familiarised with the game environment, and then reviewed from round to round.

BCG Analysis

This product portfolio matrix classifies product lines into four categories. It suggests that organisations should have a healthy balance of products within their range. The classifications are:

- Dogs
- Question Mark/Problem Child
- Star
- Cash Cow.

CesimSimBrand offers a great opportunity for students/ participants to practice this particular marketing concept by positioning their products accordingly.

Product Life Cycle

The product life cycle concept suggests that a product passes through four stages of evolution:

- Introduction
- Growth
- Maturity
- Decline.

The smartphones of the Cesim marketing simulation game follow this curve as well, thus illuminating the different strategies companies have to take during each phase of the cycle.

Ansoff's Matrix

A common tool used within marketing was developed by Igor Ansoff in 1957. He suggested that a business can grow in one of four ways, from the lowest risk to a high risk strategy of growth.

These are:

- Market Penetration
- Product Development
- Market Development
- Diversification.

Although CesimSimBrand doesn't allow for the diversification aspect of Ansoff's matrix (the companies cannot decide to start selling something else other than smartphones), the other three

strategies can be pursued and practiced throughout the course of the simulation.

By playing Cesim Global Challenge, participants will gain:

- Better understanding of the complexity of global business operations in a dynamic competitive environment.
- Comprehension of each of the management-related disciplines both individually and collectively.
- Good sense of the interaction between the different parts of the business and the financial implications of the various strategic and operational decisions.
- Invaluable experiences in teamwork and problem solving.

Benefits for the Organisation

Gone are the days when management team working in a silo. It has given way to cross-functional collaborative teamwork in an increasingly multicultural environment. How can an organisation make sure that their managers understand the nuts and bolts of their business and make sound decisions that take all functional areas of the company into account? Cesim's tailor made and industry specific business games give your organisation the edge it needs to ensure everyone is on the same page about their role and its effects on the overall success of the company.

Conclusion

It is acceptable to companies that application of IT in management is inevitable and many companies already looking towards implementation of IT based management accounting, training and decision making. Considering the paper-less environment, companies are tempted to exploit technology to reduce costs and overhead. However, the selection of appropriate system and technology is essential and vital, so that waste of money and resource do not arise. By adopting correct system and technology in management decision making, training and accounting, companies and accountants are able to produce accurate reports to make decisions and investments. The application of IT in management decision making is becoming essential part of business analysis and performance measures. It is undeniable that there are much potential for IT to be incorporated in organisation operations. The current world is living on technology and no doubt, management needs technology to improve and enhance its functionality. The managers are depending on IT to deliver the requirement that traditional management failed to provide.

Anastas, M. (1997) discussed about the changing role of management accounting and financial management such as being an internal consultants and strategists, decision making team member, and initiating and implementing IT. Welfle, B. and Keltyka, P. (2000) also discussed the impact of globalisation on the information requirement and inadequacy of traditional cost accounting to yield the information required. Technology is vast changing and keeping track with the changes is a challenge to the company. The cost of implementation of the system is always a question because it is a non-profit supportive investment. The benefits can't be seen in cash terms. However, the management can choose the system and technology according to their budget. Overall, applying technology in company operation is in optimistic direction by the management in which they can benefit in terms

of advantages provided by the technology. The close involvement by the management, accountant and users in implementing technology in the company in management training, decision making and accounting is much needed. At the end, it is to benefit everybody from shareholders, management and workers.

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★ **Mr. Orshi Terhemba Ephraim, a Lance Corporal in the Nigerian Army, contributed this article from Jos, Plateau State.**



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Reflection on Akintola Williams Foundation Inaugural Lecture

By G.M. OKUFI, FCA

On the 23rd of November 2016, I made my way to the Muson Centre, Onikan, Lagos where an unusual event was scheduled to take place. The accountancy profession was giving a great honour to one of its own. The man who brought visibility, honour, dignity and respectability to the profession. The first African to gain admission into the elite profession. A man whose name is synonymous with accountancy. The Baba Agba, the sign and symbol of professionalism, humility and integrity.

Banners were hung out by the Board of Trustees to announce to the world that an inaugural lecture was taking place. It is better and more rewarding to honour the vertical man than the horizontal man. The invitation card was well designed. The star performers on parade — the chairman, the Guest speaker, and the discussants — each in his own right, a luminous star in the firmament. It is the trend in Nigeria to accept to be present or speak at an event, only to be “ably represented” by a star that has not appeared in the horizon.

All the big masquerades were there:

- The Chairman, His Royal Majesty, the Obi of Onitsha, HRM Nnaemeka Achebe came from across the Niger.
- The Guest Lecturer, His Excellency, Chief Olusegun Obasanjo, came from the great City of Olumo Rock.
- His Royal Majesty Oba Micheal Gbadebo, The Alake of Egbaland.
- Dr. Shamsudeen Usman, former Minister, from Kano City.
- Prof. Richard Anao, Fellow of the Institute and former V.C. University of Benin, came all the way from Edo State.

They all came to give the occasion the importance it deserved.

How did the Board pick on the Guest Speaker? A man who has the good fortune of presiding over the affairs of Nigeria on two different occasions in different robes — khaki and agbada. A man who saw it all from the alpha point and is still watching, advising and directing from the sideline.

The Guest Speaker lived up to his billing. Most of the listeners were probably not born when the actions and inactions he spoke of were playing out. There the living legend, the historian, a major actor, laying open for each members of the audience to be brought into the picture and to pick whatever suited his thought, opinion, understanding or inclination.

Chief Obasanjo, in his lecture, took us on a journey from 1914 to 2016 and made an attempt to look into the crystal ball to find out



Mr. Akintola Williams and Chairman, Board of Trustees of AWF, Mrs. Olutoyin Olakunri

“which grain will grow and which will not”. He discussed the breakers on the road to nationhood, the active and non-active participants and the cheer leaders. There are occasions when the country is faced with Sophies Choice. History it is said is a vast early warning signal.

Will this inaugural lecture be an event that will not be repeated? The success should encourage the Board of Trustees. Mr. Anthony Olukoju, the Chief Operations Managers of Deloitte promised the unalloyed support of his firm to be ready, willing and able to inject iron into the blood stream of the board.

Another important statement he made was that, the man who was being celebrated put food on the tables of over 600 people. My thought ran across to when Mr. Akintola Williams took the decision to set up a practising firm — leaving certainty for uncertainty. Zadok said, “A man’s dreams are an index to his greatness”. He is the first African to set up an Accountancy Firm in Nigeria and beyond.

The Obi of Onitsha gave us a brief narration of how shell Company got involved during the construction of the Muson Centre. He said Shell Nigeria, when approached, approved and recommended to its London office for active and financial participation. Mr. Williams and his wife were on the delegation that approached Shell Nigeria. Williams Thackeray gave out his opinion that “Nature has written a letter of credit upon some men’s faces that is honoured whenever presented. You cannot help trusting such men. Their very presence gives confidence”.

That captures accurately, the man we all affectionately refer to as “AW” the sign and symbol of professionalism, humility and integrity. In his remarks, the Doyen mentioned the figure 97 twice. There is another important figure, 100 and my Mathematics Teacher told me of figures beyond 100. I know that Baba Agba has the Methuselah gene, which holds the key to eternal life.

We will all see you for many more years on this planet earth, the profession will continue to celebrate you and share precious memories and moment with you.

The Master of Ceremonies deserves commendation. Congratulations to all the Members of the Board of Trustees of Akintola Williams Foundation for the successful outing and to the great man himself, I say, *Ad Multos Annos*. ●

★ **Mr. Okufi is former Registrar, Institute of Chartered Accountants of Nigeria.**

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