



The Nigerian **ACCOUNTANT**

THE OFFICIAL JOURNAL OF THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA

JULY/SEPTEMBER, 2016

Vol.49, No.3



**We Need
Appropriate
Regulations,
Legal Framework
to Attract
Investors**

— *Deacon Titus
Soetan, FCA*

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From The Editor

The journey of the 52nd ICAN President, Deacon Titus Alao Soetan, FCA, into accounting profession was not accidental. He surely knew what he wanted and pursued it vigorously until his ambition came to fruition. When he ventured into the foray, he never looked back and God being on his side, he was able to get to the zenith of his career.

But while doing this, hardly did he know he was preparing the ground for greater future history for himself. On Tuesday May 31, 2016 precisely, the history he had written for himself many years ago was unfolded as he became the number one Chartered Accountant in Nigeria and mouthpiece of the Institute of Chartered Accountants of Nigeria.

From his inaugural speech and the interview he granted *The Nigerian Accountant* entitled “**We Need Appropriate Regulations, Legal Framework to Attract Investors**”, the ICAN President who knows his onions did not mince words in declaring that the country needs appropriate regulations, guidelines and legal framework to actually attract investors in the public interest.

He also lamented the level of corruption and corrupt practices in the country, saying that corruption in the country today is not limited to public sector alone but also reached a worrisome dimension in the private sector as well. He called on Chartered Accountants to act swiftly by supporting the present administration to save the country from the stronghold of corruption.

Furthermore, Deacon Soetan spoke extensively on the adoption of global financial standards on IFRS and IPSAS in Nigeria, adding that the new trend will enhance the financial reporting of Accountants.

On the health page, one of the common ailments of men, Prostate Enlargement was dissected. The symptoms, causes, treatment and its management were thoroughly discussed.

Also in this edition, the proceedings of the 11th Northern Zonal Conference were published for readers’ delight.

Your comments on the interview and articles in this edition are welcome. Please, write to: **corporateaffairs@ican.org.ng** or **aoowolabi@ican.org.ng**

Enlarged Prostate: A Complex Problem

By JEANIE LERCHE DAVIS and CHARLES E. JENNINGS

All his life, he slept like a stone. But now, there's an annoying trip to the bathroom every night, sometimes once or twice a night. For most men, these nightly bathroom runs may be the first sign of an enlarged prostate. Other symptoms may include trouble starting a stream of urine, leaking, or dribbling. And, like gray hair, an enlarged prostate is a natural by-product of getting older, doctors say. Trouble is, the nightly bathroom runs become more frequent — eventually edging their way into the daytime routine.

"They can't sit through a meeting or a plane flight without getting up," says Kevin Slawin, MD, a professor of urology at Baylor School of Medicine in Houston. "It's very annoying ... and when they have to go, they really have to go."

It's a problem that has several names — enlarged prostate, benign prostate hyperplasia, or simply BPH. According to the National Kidney and Urological Disease Information Clearinghouse, the most common prostate problem for men over 50 is prostate enlargement. By age 60, over one-half of men have BPH; by age 85, the number climbs to 90%, according to the American Urological Association (AUA).

Enlarged Prostate Symptoms and Causes

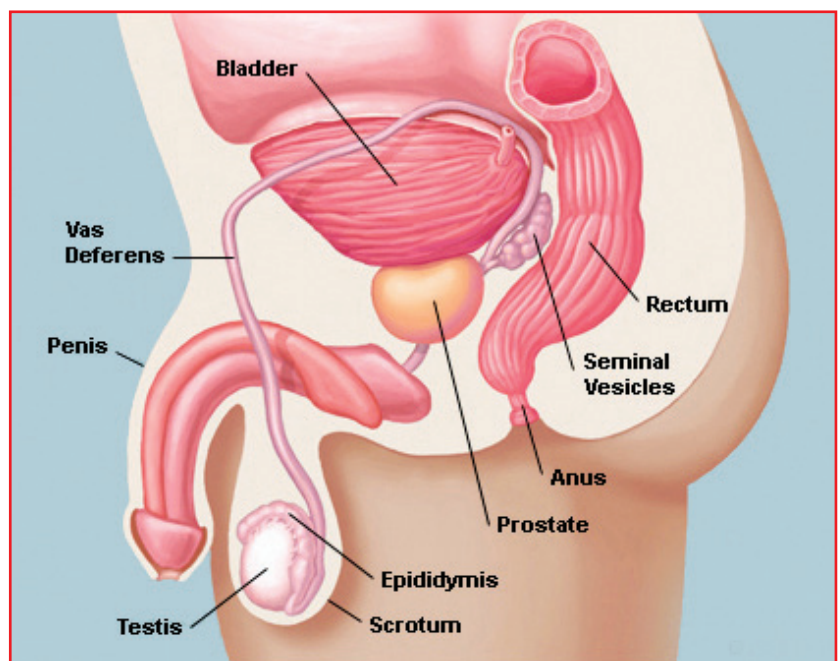
In men, urine flows from the bladder through the urethra. BPH is a benign (noncancerous) enlargement of the prostate that blocks the flow of urine through the urethra. The prostate cells gradually multiply, creating an enlargement that puts pressure on the urethra — the "chute" through which urine and semen exit the body.

As the urethra narrows, the bladder has to contract more forcefully to push urine through the body. Over time, the bladder muscle may gradually become stronger, thicker, and overly sensitive; it begins to contract even when it contains small amounts of urine, causing a need to urinate frequently. Eventually, the bladder muscle cannot overcome the effect of the narrowed urethra so urine remains in the bladder and it is not completely emptied.

Symptoms of enlarged prostate can include:

- A weak or slow urinary stream
- A feeling of incomplete bladder emptying
- Difficulty starting urination
- Frequent urination
- Urgency to urinate
- Getting up frequently at night to urinate
- A urinary stream that starts and stops
- Straining to urinate
- Continued dribbling of urine
- Returning to urinate again minutes after finishing.

When the bladder does not empty completely, you become at risk for developing **urinary tract infections**. Other serious problems can also develop over time, including **bladder stones**, **blood in the urine**, **incontinence**, and **acute urinary retention** (an inability to urinate). A sudden and complete inability to urinate is a medical emergency; you should see your doctor immediately. In



rare cases, bladder and/or kidney damage can develop from BPH.

Time to Do Something About Your Enlarged Prostate

Most men put up with an enlarged prostate for months, even years, before seeing a doctor, says Slawin. “When they’re getting up several times a night, and have trouble falling asleep again, that’s when they come in,” he tells WebMD.

It’s not always obvious what’s going on. When men start having urinary problems, it’s hard to know the reason. They should see a doctor when anything changes, because there can be bladder cancer, stones, prostate cancer. BPH is often a diagnosis of exclusion ... after we make sure nothing more serious is going on.”

Urologists use the BPH Impact Index, a symptom questionnaire developed by the American Urological Association to determine if a man’s symptoms from BPH require treatment. “It helps us understand how severe the problem is,” says Slawin. Higher scores indicate more severe symptoms.

Prostate growth and the trouble it causes vary greatly from person to person, says O. Lenaine Westney, MD, division director of urology at The University of Texas Medical School at Houston. “Some people have more growth than others. Some people with very large prostates don’t have trouble with voiding. It’s a very individual thing.”

Watchful Waiting With an Enlarged Prostate

When the symptoms of an enlarged prostate gland are mild, with low scores on the BPH Impact Index (less than 8), it may be best to wait before starting any treatment — what’s known as “watchful waiting.”

With regular checkups once a year or more often, doctors can watch for early problems and signs that the condition is posing a health risk or a major inconvenience. That’s where the BPH Index is especially helpful, Westney tells WebMD. “It lets us know how high the symptom score is and when to start treatment.”

The “driving force in treatment,” she explains, is whether the symptoms are affecting your quality of life — and whether a blockage is causing serious complications, such as inability to urinate, blood in the urine, bladder stones, kidney failure, or other bladder problems.

A few questions to ask yourself:

- How severe are your symptoms?
- Do symptoms prevent you from doing things you enjoy?
- Do they seriously affect your quality of life?
- Are they getting worse?
- Are you ready to accept some small risks to get rid of your symptoms?
- Do you know the risks associated with each treatment?
- Is it time to do something?

Deciding on Treatment for an Enlarged Prostate

A range of treatments can relieve enlarged prostate symptoms — medications, minimally-invasive office procedures, and surgery. The best one for you depends on your symptoms, how severe they are, and whether you have other medical conditions.

The size of your prostate gland, your age, and your overall health will also factor into treatment decisions. What’s best for a man in his 50s might not be optimal for an 80-year-old. An older man may want immediate symptom relief through drugs or surgery, whereas

a younger man may lean toward a minimally invasive treatment. According to the American Urological Association, surgery often does the best job of relieving symptoms, but it also has more risks than other treatments.

Consider the options carefully with your doctor, says Westney. “We can start with medications, and if there’s no improvement, we look at minimally invasive therapy to reduce a portion of the prostate,” she tells WebMD. “These procedures are very effective, and side effects are very rare.”

If symptoms are really bothersome — or if you have complications like urine retention — it may be best to bypass medication. The minimally invasive treatments have benefits over surgery, like quick recovery time; however, you may need a second procedure later on. There is also less risk of serious side effects like long-term incontinence or erection problems — which can occur rarely with surgery.

Medications for an Enlarged Prostate

Several drugs are FDA-approved to relieve common symptoms of an enlarged prostate. Each works differently, says Westney. They either shrink the enlarged prostate or stop the prostate cell growth, she explains. “For many men, medications are very effective,” Westney tells WebMD. “They have a significant change in symptoms, and side effects are very uncommon ... so medications are an attractive treatment.”

Doctors use the BPH Index to gauge how the patient responds to medication, Westney adds. “We see how symptoms are progressing ... if they’ve stabilised or not.”

★ **Alpha blockers:** These drugs don’t reduce the size of the prostate, but they are very effective at relieving symptoms. They work by relaxing the muscles around the prostate and bladder neck, so urine can flow more easily. These drugs work quickly, so symptoms improve within a day or two. They are most effective for men with normal to moderately enlarged prostate glands.

The drugs: Flomax (tamsulosin), Uroxatral (alfuzosin), Hytrin (terazosin), Cardura (doxazosin), and Rapaflo (silodosin).

Alpha blockers were originally created to treat high blood pressure; dizziness is the most common side effect; other side effects are generally mild and controllable. Possible side effects include headache, stomach irritation, and stuffy nose. These drugs are not for men with significant urine retention and frequent urinary tract infections.

★ **5-Alpha reductase inhibitors:** These drugs can partially shrink the prostate by reducing levels of a male hormone — dihydrotestosterone (DHT) — which is involved in prostate growth. These drugs take longer to work than alpha blockers, but there is urine flow improvement after three months. These drugs can reduce risk of acute retention (inability to urinate) and also reduce the need for prostate surgery. You may need to take them for 6 to 12 months to see if they work.

The drugs: Proscar (finasteride) and Avodart (dutasteride).

Possible side effects include erection problems, decreased sexual desire, and reduced amount of semen. These side effects are generally mild and may go away when you stop taking the drugs or after the first year of taking the drugs.

There is also drug combination therapy, which may be effective against symptoms associated with BPH. Some examples of combined drugs include an alpha-blocker and a 5-alpha-reductase

inhibitor; or an alpha-blocker and an anticholinergic.

Minimally Invasive Treatments for an Enlarged Prostate

When medications don't help your enlarged prostate, several procedures can relieve symptoms — without surgery. They are performed in a doctor's office. "These procedures use various types of heat energy to shrink a portion of the prostate," explains Westney. "They are very effective."

★ **TUMT (Transurethral Microwave Thermotherapy):** This therapy for mild to moderate blockage reduces urinary frequency, urgency, straining, and intermittent flow — but does not correct any bladder-emptying problems. In this procedure, computer-regulated microwaves are used to heat portions within the prostate to destroy select tissue. A cooling system protects the wall of the urethra during the procedure. TUMT is performed in a doctor's office and requires only topical anesthesia and pain medications.

Possible side effects include painful urination for several weeks. Temporary urgency and frequency of urination is also possible. There may be less semen ejaculated. Many men must have this procedure repeated, either because symptoms return or do not improve.

★ **TUNA (Transurethral Radio Frequency Needle Ablation):** This procedure also destroys prostate tissue to improve urine flow and relieve symptoms. It involves heating the tissue with high-frequency radiowaves transmitted by needles inserted directly into the prostate (some anesthesia is used). The procedure does not require a hospital stay. Possible side effects include painful, urgent, or frequent urination for a few weeks.

★ **Prostatic stents:** In some cases, a tiny metal coil called a stent can be inserted in the urethra to widen it and keep it open. Stenting is done on an outpatient basis under local or spinal anesthesia. Usually, stents are only for men who are unwilling or unable to take medications — or who are reluctant or unable to have surgery. The majority of doctors don't consider stents a good option for most men.

There could be serious side effects, and some men find that stents don't improve their symptoms. Sometimes a stent shifts position, which can worsen the symptoms. In some cases, men experience painful urination or have frequent urinary tract infections. Stents are expensive, and there can be difficulty in removing them.

Surgery for an Enlarged Prostate

For most men with very enlarged prostates, surgery can relieve symptoms but there are both risks and benefits with each type of operation. Discuss them with your doctor. After a careful evaluation of your situation and your general medical condition, your doctor will recommend which is best for you.

★ **TURP (Transurethral Resection of the Prostate):** This is the most common surgery for an enlarged prostate, and considered to bring the greatest reduction in symptoms. Only the tissue growth that is pressing against the urethra is removed to allow urine to flow easily. The procedure involves an electrical loop that cuts tissue and seals blood vessels. Most doctors suggest using TURP whenever surgery is required, as it is less traumatic than open surgery and requires shorter recovery time.

With the TURP procedure, patients can expect to have retrograde

ejaculation afterwards, says Westney. This is a condition in which a man ejaculates backward into the bladder instead of through the urethra. "Retrograde ejaculation generally isn't painful," she tells WebMD. "It shouldn't be an issue unless fertility is a concern." Other possible side effects include blood loss requiring transfusion (rare), painful urination, recurring urinary tract infections, bladder neck narrowing, and blood in the urine.

After TURP, the odds of erection problems range from 5% to 35%. However, this is often temporary and the ability to have an erection and an orgasm returns after a few months.

★ **TUIP (Transurethral Incision of the Prostate):** This procedure involves making cuts in the prostate instead of removing prostate tissue. These cuts reduce pressure on the urethra, making urination easier. Patients go home the same day, and wear a catheter for a day or two.

Symptom relief is slower with TUIP, compared with TURP. However, most men are satisfied with their ultimate symptom relief from this. Also, retrograde ejaculation is less common and less severe than after TURP. Risk of erection problems is similar to TURP.

★ **Laser Surgery:** This procedure uses a high energy vaporising laser to destroy prostate tissue. It is done under general anesthesia and may require an overnight stay at the hospital. It provides immediate relief of symptoms, yet men may suffer from painful urination for a few weeks. In general this procedure causes less blood loss, and side effects can include retrograde ejaculation.

These procedures include:

- Transurethral Holmium Laser Ablation of the Prostate (HoLAP)
- Transurethral Holmium Laser Enucleation of the Prostate (HoLEP)
- Holmium Laser Resection of the Prostate (HoLRP)
- Photoselective Vaporisation of the Prostate (PVP).

★ **Open Prostate Surgery (Prostatectomy):** When a transurethral procedure cannot be used, open surgery (which requires an incision in the abdomen) may be used. This allows the surgeon to remove tissue in the prostate. Open prostatectomy is typically done when the prostate gland is greatly enlarged, when there is bladder damage, if there are bladder stones, or if the urethra is narrowed. The inner part of the prostate is removed. This surgery is done under general or spinal anesthesia, and recovery can take a few weeks to several months.

Side effects are similar to TURP, including blood loss requiring a transfusion, urinary incontinence, erection problems, and retrograde ejaculation.

Herbal Therapies for an Enlarged Prostate

Several herbal supplements are marketed for enlarged prostates. Saw palmetto, beta-sitosterol, and pygeum are all widely used in Europe. They are available in the U.S. and don't require a prescription. However, researchers and doctors are cautious about advising patients to try herbal supplements. Because they are not FDA-regulated, there are concerns about a product's quality from batch to batch, according to the NIH's Office of Dietary Supplements. Also, the safety of any herbal product depends on many things — the chemical makeup, how it works in the body, how it is prepared, and the dosage.

Something else to consider: Like any drug, a herbal remedy

can affect how other medications or treatments work, or interact dangerously with your other medications. They can also have side effects. And, the AUA points out, they have not been well-studied for effectiveness or safety.

Before trying any alternative treatment, learn as much as you can about it, the AUA says. Most importantly, talk to your doctor before you try any herbal remedy. Many doctors consider alternative therapies like saw palmetto to “have no effect on symptoms, except as expensive placebos,” Slawin tells WebMD.

★ **Saw palmetto:** Saw palmetto is one of the most popular herbal supplements taken for BPH. The extract comes from ripened berries of the saw palmetto shrub. Extracts are thought to prevent testosterone from breaking down and triggering prostate tissue growth, similar to the 5-alpha reductase inhibitor medications. Studies of this supplement have had varied results.

“Saw palmetto does not work,” Slawin tells WebMD. He points to a recent “very nicely done” randomised study that found palmetto was no more effective than a placebo in relieving BPH symptoms. However, other studies have found it to be as effective as Proscar, a BPH medication. Varying quality of herbal products (dosages, ingredients, or purity) may account for the conflicting results, researchers say. Also, many studies of herbals have not been well-controlled.

★ **Beta-sitosterol:** This compound is extracted from pollen of rye grass. There has been some evidence that it provides relief from urinary symptoms. However, in four studies the supplement

did not increase urinary flow rates, shrink the prostate, or improve bladder emptying.

★ **Pygeum:** This extract comes from the bark of the African plum tree. Numerous studies have found positive results for pygeum. In 18 studies, this extract relieved BPH symptoms twice as often as the placebo; it also increased urinary flow by nearly 25%.

Enlarged Prostate Treatments in the Pipeline

Researchers continue to investigate new therapies for enlarged prostates. “Another category of drugs is under development,” says Slawin. “We’ve come a long way in treating BPH. It’s no longer the life-threatening disease it once was. Now, in treatment, we’re working on quality of life issues... reducing side effects of treatment.”

Also being studied is a procedure called **Water-induced Thermotherapy (WIT)**, an experimental procedure that involves destroying excess prostate tissue utilising heated water and an air-filled balloon, which protects normal prostate tissue. The procedure is performed with only local anesthesia. Results may not be fully apparent for three to four months. However, preliminary studies examining WIT have shown positive results, with a near doubling in urine flow. However, the American Urological Association has not thus far endorsed WIT as a viable treatment option for symptoms of BPH. ●

★ *Culled from webMD.*

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Avoid Corruption Like a Plague, Soetan Implores New AAT Members

Accounting Technicians of the Institute have been advised to avoid corrupt practices in order to function effectively in both the public and private sectors of the economy.

The advice was given by the 52nd President of the Institute, Deacon Titus Soetan, FCA and a Past President of the Institute Chief (Mrs.) Elizabeth Omeresan Adebite, FCA at the 44th induction of new members of the Association of Accounting Technicians of West Africa (AATWA) held recently in Lagos.

Admitting the 518 newly qualified members into AATWA, the ICAN President said an accounting technician must strive to perform his duties in accordance with acceptable technical standards, irrespective of the sector of the economy he is employed, adding that the competence he exhibits would convince the public and the organisations he serves that he is truly a professional. He advised the inductees not to tamper with their employers' monies, temporarily borrow them or use the cash entrusted in their care, to settle personal and/or unofficial claims, no matter how legitimate.

On her part, a Past President of the Institute, Chief (Mrs.) Elizabeth Adebite, who was the guest speaker at the occasion, spoke on the need to abhor corruption in its entirety, noting that the consequence is usually very grievous.

Speaking on the theme, *'The Fight Against Corruption – The Role of the Accounting Profession'*, she observed that professionals are expected to play a significant role in championing a corruption free society at all times and more so in this critical phase of our national development and state of the economy, adding that Accounting



ICAN President, Deacon Titus Soetan in a handshake with Chief (Mrs.) Elizabeth Adebite (Past President) and Guest of Honour at the 44th AATWA induction, while the Immediate Past President Otunba Olufemi Deru watches

Technicians can play a pivotal role individually and collectively to ameliorate the situation and turn the fortunes of the nation around for the good of all.

ICAN Honours Best Candidate Ronke Okewole, Inducts 649 Associates

Miss Ronke Okewole has emerged the best qualifying candidate in the Institute's professional examinations for the year following her exceptional performance at the November 2015



A cross-section of the AAT Inductees



51st ICAN President, Otunba Olufemi Deru presenting the prize for Best Overall Candidate to Ronke Okewole

diet. She was recognised and applauded at the 57th induction of new members held in May.

Miss Okewole, who was also one of the 649 candidates inducted as Associates at the 57th induction of the Institute, won three prizes namely Akintola Williams Deloitte & Touche prize, Akintola Williams prize for the best qualifying candidate for the year as well as the Society of Women Accountants of Nigeria (SWAN) prize for the best qualifying female candidate for the diet.

The 51st President of the Institute, Otunba Samuel Olufemi Deru, FCA, was delighted to hand over the prizes to the recipient for proving that success will always come the way of anyone who is determined to achieve his/her goal.

“As Chartered Accountants, we must hold firmly to our main strength, that is, the virtue 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 said.



51st ICAN President, Otunba Olufemi Deru, FCA welcoming Dr. Anthony Asuquo Ani, FCA to the induction ceremony

Past President Anthony Ani Advises FG Against Naira Devaluation

Apast president of the Institute, Dr. Anthony Ani, FCA has advised the federal government against Naira devaluation despite the pressure. This, according to him, would lead to further hardship on the masses.

Dr. Ani, who was the guest speaker at the 56th induction ceremony held in May spoke on the topic, “*Of Exchange Rate Mechanism, Exchange Rate and Devaluation*”.

According to him, the country is an import dependent nation and the Naira is already under-devalued and should not be devalued further. He said “there is nothing to gain from devaluation since we do not export anything significant except our crude oil. Any devaluation will further worsen our economic situation and will send cost of all our imported goods to the skies.”



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ICAN Website: **www.ican-ngr.org**

Support ICAN SSP Initiative for the Benefit of Your Subjects, ICAN Admonishes Ooni of Ife

The Ooni of Ile-Ife, HRM, Oba Adeyeye Enitan Ogunwusi has been admonished to support the Institute's Students Special Project (SSP). Otunba Femi Deru, the 51st President of the Institute, stated this when he paid a courtesy call on the Ooni, as part of a visit to Osun and District society in May. He explained that supporting such a laudable initiative would not only benefit the monarch's subjects but the society at large.

According to him, the project was initiated by the Council of the Institute to increase students' enrollment and improve the success rate of candidates in the Institute's examinations. He added that since its commencement, the SSP has increased the number of chartered accountants produced in the regions where they were cited.

In his response, the Ooni commended the ICAN team for deeming it fit to visit him. He expressed his appreciation for the Students' Special Project initiative and promised that he would ensure that the project is a success in his territory and Nigeria



The Ooni of Ife, HRM, Oba Adeyeye Enitan Ogunwusi, presenting an artifact to the 51st ICAN President, Otunba Olufemi Deru during ICAN's courtesy visit to the monarch in Ile-Ife

as a whole.

"When I hear something that will benefit my youths and my territory, like education and other useful programmes, I jump at it. My people installed me to protect their interest in whatever form, so, I am all out to do that for the benefit of humanity", he declared.



Chief Afolabi Ajomale (left); Balogun Olabisi Omidiora (PP); Ooni of Ife, Oba Adeyeye Enitan Ogunwusi; 51st ICAN President, Otunba Olufemi Deru; Mr. Abayomi Bammeko and Mrs. Comfort Olujumoke Eytayo during a courtesy visit to Ooni in his palace at Ile-Ife

Examination Malpractice: ICAN Blacklists ATSWA Student

In line with its discipline and zero tolerance for examination malpractices, the Institute has blacklisted a student caught cheating during the March 2016 diet of ATSWA examination.

The student, **Fakeye Titilayo Omobolanle** was caught on Wednesday March 16, 2016 at Lagos Centre, with pre-written materials related to "Quantitative Analysis" paper she was writing.

After a thorough investigation, the Council of the Institute approved that the student be blacklisted and banned from all the Institute's examinations. He was subsequently deregistered as a candidate of the Institute and have all the papers taken during the March 2016 diet ATSWA examination cancelled. ●

FROM OTHER BODIES

SME Audits: Challenges and Insights

By JOHN HODGE

For a few years now, deregulation of mandatory assurance of SMEs has been on the rise, while at the same time, so too has the regulation of audits of larger entities (i.e., public interest entities). This deregulation for SME audits is largely caused by governments raising audit thresholds and requiring fewer audits to be performed by law in response to calls to reduce the regulatory burden for small businesses.

Although regulatory demand for audit services is decreasing, demand for voluntary audits continues. Accounting practices operating in the SME audit market face significant challenges, but it is important that they achieve sustainable financial results with audit service revenues that exceed the full cost of delivering high-quality audit services.

Cost cutting that is directly reflected in the quality of the services performed is not a sustainable approach. Given the importance of these challenges for practitioners, small- and medium-sized practices (SMPs), and professional accountancy organizations (PAOs) supporting their members, an Audit Training of Trainers (Audit ToT) Community, [1] under the EU REPARIS Program, [2] facilitated by the World Bank Center for Financial Reporting Reform (CFRR), exchanged ideas on this topic, as well as discussed some related insights which can be useful for practitioners when engaging with SME audits.

The Audit ToT is a training program with a practical focus that develops the capacity of audit trainers to deliver high-quality training and Continuing Professional Development (CPD) programs, with particular focus on meeting the needs and challenges of SMPs in implementing ISA — International Standards on Auditing.

These discussions have been summarised and published in a CFRR-related publication *Smaller Audits: Challenges and Insights*. Some of the key messages are:

★ The auditor of a small business is required to be as proficient in all relevant standards as the auditor of a large, publically listed entity. From an SMP perspective, keeping up with changing requirements and maintaining the required knowledge base can be challenging.

However, having complete knowledge of relevant auditing standards, coupled with experience in making good professional judgments, is essential for SME audit efficiency. Performing excessive audit work is an avoidable cost and so too is the consequence of not performing enough work.

The good news is that ISA can be applied proportionally to SME audits. ISA are principles based, allowing practitioners to apply professional judgment and tailor audit procedures. Some ISA only apply to larger entities and the requirements of the auditing standards can be scaled down in order to be more proportional

for SME audits.

★ Simpler businesses do not necessarily mean an easier audit. Small businesses tend to have particular characteristics that require increased attention, for example, fewer financial controls, more related-party transactions, lower capacity to close the books (i.e., accuracy of accruals and provisions), and can be subject to some complex taxation requirements.

Having fewer, more experienced professionals involved in the audit can bring many benefits and efficiencies to the audit process. More experienced audit professionals often make quick and effective professional judgments, have particular industry/sector specialist knowledge to allow a tailored approach, and are proficient at using audit technology to automate the audit process. More experienced auditors often have an in-depth understanding of the standards which allows them to work quickly and effectively, performing the right amount of work and avoiding over documentation.

★ The downward pressure on SME audit fees is largely due to the market viewing the audit opinion as highly standardised. On the other hand, the audit process is labor intensive and auditors are subject to initial and continuing education requirements, so the challenge for many auditors is how they can grow audit revenues while maintaining audit quality.

Smaller clients are ready to pay for audits that they perceive add value. Also, small businesses are willing to pay their auditors for good business advice. By learning how to operate with a “trusted business advisor” practice model, auditors can learn how to bill their clients for the value of their advice, over and above the audit.

★ Governments increasingly, have no legal requirement for the audit of general purpose financial statements of “micro” and “small” businesses because such regulatory obligation is not seen to add value to the small business owner, nor does it foster small business growth. This lower regulatory burden is generally well received by the business world as it minimises compliance costs, but it also “shrinks” the size of the market for auditors of smaller businesses.

Responding to the rising audit thresholds, many audit practices have started to expand their service offerings and have engaged in a process of changing their practice models. Business advice and other structured non-assurance services (i.e., agreed-upon procedures, compilations, etc.) can provide small business stakeholders with some confidence even where no audit or review opinion is provided.

The IAASB recently revised its standards on review and compilation engagements, and there may be increased demand for the performance of review engagements arising from governments looking for a regulatory response that is perceived to be proportionate to small entities. (SMPs can find guidance from IFAC on implementing the IAASB’s revised review and compilation engagement standards on its website.)

★ Evolving markets and new services will require practitioners to make significant investments in skills and technology, as well as to move away from the traditional practice model and develop new ways of operating. This innovation is essential to maintaining profitability in light of fee pressure on SME audits and the need to provide other value-added services in order to grow revenue.

Some practitioners may choose to specialise in non-audit services and move away from audit services. In other cases,

market consolidation may help smaller audit practices to achieve scale. Mergers of audit practices operating at the smaller end of the market may become increasingly common. In order to attract talent into the profession, it will be important that audit practices are profitable.

11 Reasons To Be Transparent on Tax

By EELCO VAN DER ENDEN

The European Commission's proposal for public country-by-country reporting of tax for large multinationals aims to discourage aggressive tax behavior and to get to grips with public unrest on tax avoidance. With this amendment to the Accounting Directive, it meets the public demand for more transparency on the tax strategies of large business and the fairness and efficiency of the tax system — against the backdrop of LuxLeaks and the Panama Papers. France, the United Kingdom, Greece, the Netherlands, and the European Parliament seem to be in favor of public country-by-country reporting.

The German Finance Minister, Mr. Schäuble, is not in favour. He is supported by Malta, Austria, and some tax advisor and business representatives. They claim that fiscal information is only meant for tax administrations. Tax administrations should fight tax irregularities and share information between them. Tax transparency would lead to a competitive disadvantage for Europe, increase costs of compliance, and disclose "company secrets."

It would also put pressure on tax administrations to levy more tax. "The public will decide the tax bill in the end," so we hear. Furthermore, there is fear that, under the pressure of US multinationals, the US administration will respond with countermeasures. The question is whether these arguments are of sufficient substance to counter the public and political pressure for more transparency. Here are 11 reasons to counter the arguments against tax transparency:

1. For some industries, like extractive and banking, mandatory transparency regulations already exist. This has not resulted in market distortions — confirmed by companies subject to these transparency regulations. Why should these industries be transparent on tax and others not?

2. Many companies are already voluntarily tax transparent or intend to become so in the near future.

3. Non-transparency to avoid financial or reputational risks is foolhardy from a professional risk management perspective. It is gambling in the "tax-detection-risk lottery," and it is not a sign of good corporate governance.

4. The argument that "company secrets" would be disclosed appears to be founded on the thought that, currently, data is safe within the company. Much (big) data is already publicly available. Furthermore, the information to be disclosed will not consist of secret formulas, but merely basic information on the difference between financial and tax accounting.

5. Tax administrations already have more information than will need to be published. Dysfunctional tax administrations are not prevented by non-transparency in tax. In fact, tax transparency

offers an opportunity to confront the public and politicians with the bad behaviour of tax administrations.

6. The argument that tax is too complicated to explain is not relevant. Try harder or implement less "unexplainable" structures.

7. If transparency prevents tax optimisation, and this is seen as a competitive disadvantage, then the question is, "how does this relate to a company's (tax) governance and corporate social responsibility?"

8. A company needs a functional tax control framework in order to be sure it can file timely, validated, and correct returns. Tax transparency in itself will not lead to serious additional administrative costs. The European Commission has looked into this.

9. Countries are developing initiatives for more tax transparency on a state-by-state basis. Coordination and streamlining of international reporting standards via the European Union and the Organisation for Economic Co-operation and Development is needed to avoid a myriad of transparency regulations.

10. After LuxLeaks and the Panama Papers, NGOs and journalists will keep publishing such information in a format over which taxpayers have no control. Voluntary transparency can result in more public and political understanding of the tax strategy of (transparent) companies.

11. The United States itself has introduced regulations to improve transparency in risk management, reporting, exchange of information, and other areas.

In this era, in which tax has become a social media topic, multinationals are advised to develop a communication strategy on tax. The days when tax was the private playground of tax lawyers are over, whether mandatory tax transparency regulations are issued or not. To come to a consistent approach, the Commission's proposal, therefore, deserves serious attention.

IASB to Focus on Communication Effectiveness of Financial Statements

The Chairman of the International Accounting Standards Board, Hans Hoogervorst has outlined plans to prioritise improvements to the communications value of financial statements as the main outcome of the Board's recent Agenda Consultation.

Speaking at the IFRS Foundation's annual European Conference held in Zurich, Switzerland, Hoogervorst stated that the completion of several big IFRS Standards now allows the Board to focus its efforts on increasing the communication effectiveness of financial statements. He intends to prioritise the theme of 'Better Communication' during his second term as Chair, which commenced 1 July 2016.

"Valuable information gets drowned out by 'tick the box' disclosures and voluminous, but poorly organised and presented, financial statements," says Hoogervorst.

"For the investor, it is often difficult to see the woods through the multitude of information trees. We will take a fresh look at how financial information is presented, how it is grouped together, and in what form it is made available." 'Better Communication' will

bring together a number of work streams, including:

Primary Financial Statements — improving the organisation and structure of the ‘face of financial statements’ (statements of financial position, financial performance and cash flows);

Disclosure Initiative — improving the quality and usefulness of financial disclosures through amendments;

Financial Instruments with the Characteristics of Equity (FICE) — clarifying the definition, presentation and disclosure requirements for such instruments;

Digital reporting — further developing the IFRS Taxonomy to ensure it meets electronic reporting needs and remains fit for purpose; and

Non-financial reporting — assessing strategic challenges and exploring any potential future role that the Board may play in this area.

Hoogervorst also announced that the Board will be playing a more active role in supporting jurisdictions in the implementation of new and existing IFRS Standards.

IPSASB Consultative Advisory Group Holds Inaugural Meeting

The International Public Sector Accounting Standards Board Consultative Advisory Group (IPSASB CAG), comprised of representatives of public and private constituencies interested in or affected by the IPSASB’s work, held its first meeting on June 20, 2016 in Toronto, Canada.

“The inaugural IPSASB CAG meeting was an historic event. It represents the final piece of the IPSASB’s enhanced governance processes and responds to the recommendations of the Governance Review Group and advice of the Public Interest Committee (PIC),” said IPSASB CAG Chair Thomas Müller-Marqués Berger.

“The CAG membership is the result of an open call for nominations, which received very strong interest. The largest segment of CAG members represent the important preparers/users constituency and overall it is a diverse group. The meeting itself was highly positive, with strong engagement in the topics, lively debates, and diverse viewpoints that fed into the discussions at the subsequent IPSASB meeting.”

The IPSASB CAG membership includes those engaged in the preparation, audit, or evaluation of public sector financial reports. It advises on the IPSASB’s strategy, work program, and agenda, including projects from technical and adoption as well as implementation perspectives, and other matters relevant to standard setting.

“The CAG considered and provided detailed recommendations on three key IPSASB projects — Social Benefits, Revenue, and Non-Exchange Expenses,” said IPSASB Chair Ian Carruthers, who attended the meeting along with several IPSASB members. “The IPSASB really appreciated the views of CAG members, which will help ensure that the broad perspectives of their constituencies are considered in the development of each project.”

Full details on the IPSASB CAG membership can be found at: www.ipsasb.org/cag/cag-members. The next IPSASB CAG meeting will be held on December 4, 2016 in Stellenbosch, South Africa.

IAASB Seeks Technical Director

The International Auditing and Assurance Standards Board (IAASB) is seeking an exceptional individual for the full-time position of Technical Director. The IAASB serves the public interest by setting high-quality international standards for auditing, assurance, and other related standards, and by facilitating the convergence of international and national auditing and assurance standards. The IAASB aims to enhance the quality and consistency of practice throughout the world and strengthen public confidence in the global auditing and assurance profession.

The Technical Director is essential to the management of the IAASB and the quality of the international standards it produces, and works closely with the IAASB Chair and Deputy Chair to plan and implement the board’s strategy. He/she coordinates the activities of the IAASB, and leads the team supporting these activities. He/she acts as an IAASB spokesperson, and is responsible for the development of relationships with stakeholders.

We are looking for an professional with:

- ★ Strong leadership, technical, and organisational skills;
- ★ Standard-setting experience, as well as technical and practical knowledge, with emphasis on auditing, assurance, and related services; and
- ★ Strong people, project management, and written and oral communication skills, as well as the ability to work and build relationships in a multicultural environment.

In leading the team that supports the work of the IAASB, the Technical Director will be self-motivated, confident in dealing with complex and sensitive matters, and have the flexibility to respond to issues with the speed necessary to meet demands.

As a spokesperson of the IAASB, the Technical Director should be articulate, confident, and exercise sound political judgment in interactions with members of the profession, international regulators, and the press.

The position, which is based in the IAASB office in New York and requires international travel, provides opportunities to:

- ★ Engage on matters of public interest with the international and national regulatory and standard-setting communities; senior members of the global accountancy profession; and investor, preparer, governance, and other stakeholder groups;
- ★ Influence the direction, shape, and content of leading-edge standard-setting projects and external stakeholder relations, supporting and enhancing global public trust in the accountancy profession;
- ★ Lead in a dynamic, collaborative, multicultural, and collegial environment, and foster strong relations with colleagues passionate about international standard setting in the areas of audit and assurance, ethics for professional accountants, accounting education, and public sector accounting;
- ★ Manage the international audit and assurance standard-setting program, working at the forefront of strengthening the accountancy profession internationally; and
- ★ Lead and develop a dynamic team of high-quality professionals.

For further information about the position, please see the job description at www.ifac.org/careers. Applications are due by September 1, 2016. ●

ICAN Elects New President, Other Officers

*The Institute of Chartered Accountants of Nigeria (ICAN) has elected new officers to run its affairs for the next one year. **Deacon Titus Alao Soetan, FCA** emerged as the 52nd President. His investiture took place after an election on May 31st, 2016 at the Institute's Secretariat in Victoria Island, Lagos.*

*Also elected are: **Alhaji Isma'ila Muhammadu Zakari, mni, BSc, FCA** as Vice President; while **Alhaji Razak Jaiyeola, BSc, ACFE, CRISC, FCA** and **Mrs Uchenna Ifesinachi Erobu, MBA, FCA** were elected 1st and 2nd Deputy Vice Presidents respectively. **Mr. Tayo Phillips MBA, FCA** became the Institute's Honorary Treasurer.*

The President, Deacon Titus Alao Soetan, is a Fellow of the Institute and the Senior Partner, Baker Tilly Nigeria (Chartered Accountants). He commenced his professional career as Accounts Clerk at W.N. Housing Corporation (1972 to 1973). He was the Accountant, Nigerian Television Authority (1978–1979). He was Audit Senior Manager at Z.O. Ososanya & Co (1979–1985) and became Partner, Z.O. Ososanya & Co (1985–1998). He was Partner and co-founder of Oyelami Soetan Adeleke & Co (1998 to 2005) and Senior Partner in the same firm (2005 – 2008) before moving to Baker Tilly.

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

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

The Vice President, Alhaji Isma'ila Muhammadu Zakari is a Fellow of the Institute of Chartered Accountants of Nigeria (ICAN) and a member of the ICAN Governing Council since 2004. He has served on many ICAN Committees. He is currently Chairman, Professional Examinations Committee and also Deputy Chairman, Insolvency and Corporate Re-engineering Faculty. He is also a Fellow of the Business Recovery and Insolvency Practitioners Association of Nigeria (BRIPAN) where he also



Soetan

serves as Council Member.

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

He is currently the Managing Partner of Ahmed Zakari & Co. (Chartered Accountants), a firm he co-founded in partnership with other professional colleagues in 1998 providing Auditing & Assurance, Tax Advisory, Insolvency and Business Consulting and Business Valuation services to a wide range of clients in Nigeria. As Managing Partner, he is responsible for providing leadership and strategic direction to a resourceful team of multi-disciplinary professionals providing high quality client service engagements creating value for numerous clients in the private and public sectors.

He has attended numerous training courses and is a regular speaker in the fields of Accounting, Auditing, Taxation, Corporate Finance, Insolvency, Leadership and Practice Management. He is actively involved in serving the public interest and the development of his community. He serves on the Board of Trustees of Jigawa Forum in his home state – Jigawa State, Nigeria.



Zakari

The 1st Deputy Vice President, Alhaji Razak Adeleke Jaiyeola, is a Fellow of the Institute of Chartered Accountants of Nigeria, and Chief Consultant of A.J. Silicon. He holds a Bachelor of Science Degree in Chemistry from University of Ife (Now Obafemi Awolowo University) in 1974. He enrolled and passed all the successive stages of the Institute of Chartered Accountants of Nigeria examinations in a record time. During

his professional examination days, he won a prize in AUDITING at intermediate level and FIRST MERIT POSITION prize at the final level in 1980 when he qualified.

Alhaji Jaiyeola is very passionate about information technology. He is a member of Information Systems Audit and Control Association (ISACA), Institute of Software Practitioners of Nigeria (ISPON), Association of Certified Fraud Examiners (ACFE) and Certified in Risk and Information Systems Control.

He started his accounting career in 1977 at Coopers and Lybrand, an international accounting firm (Now PriceWaterHouseCoopers). To date, he has a total of 38 years experience spanning all areas of Accounting, Financial Information Technology Consulting, Information Systems Auditing, IFRS/IPSAS Training, Consulting and Implementations, Taxation, Secretarial, Insolvency and Management Practice.

He worked at A.C. Christlieb Group, Ayor Group consisting of Nigeria Distilleries, Sphinx, Philbit, Bems, etc and Olusola Adekanola & Co before becoming Chief Executive of Consolidated Management Consultants: during which he was the Project Director for Computerised Financial Consulting for Ogun and Niger States Water Agencies under the National Water Rehabilitation Projects funded by the World Bank.

As the Chief Executive of A.J. Silicon, he has handled several Consulting assignments including, design of Financial Management System under the Nigerian Community Development project funded by the World Bank, design of the Accounting System and financial procedures manual for Universal Basic Education project in Nigeria, Computerisation of Accounting, Human Resources and Audit of West African Examinations Council as well as world bank funded financial and economic assessment of all irrigation projects in Nigeria under the River Basin Development Authorities among others.

He was a Co-Development and Implementation Consultant for ICAN Technology Competence Initiative (TCI) which was a practical IT training precondition for induction of ICAN qualified students' into the profession. A leader in the training of Certified Information Systems Auditor (CISA) in Nigeria as well as foremost trainer in Full IFRS, IFRS for SMEs and IPSAS. He also offers IFRS Consulting and Implementation. He has delivered many highly researched and topical papers at different fora including Accountants' conference, ICAN faculty, district societies, regional conferences and ICAN MCPE programs, among others.

He has also served in several committees, sub-committees and adhoc committees of the Institute as Chairman, Deputy Chairman and member such as Information Technology Committee, Students' Affairs, Publication and Image and Professional



Jaiyeola

Examinations Committee. He is a pillar of Consulting & IT Faculty where he has served as the Vice Chairman since inception. He was Council Coordinator of various district societies such as Port Harcourt, Osun, Ondo, Akure, Ekiti, Benin, etc.

Alhaji Jaiyeola is happily married with four of his five children being qualified accountants: two of whom are Fellows of the Institute. Three of the children are also Certified Information Systems Auditors (CISA) with several IT certifications.

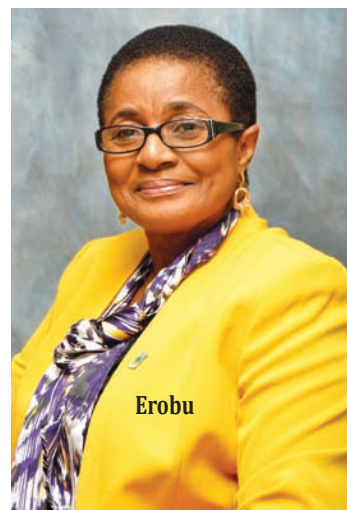
The 2nd Deputy Vice President, Mrs Uchenna Ifesinachi Erobu, FCA, is a seasoned Chartered Accountant. A Fellow of the Association of Certified Chartered Accountants (1985), Fellow of the Institute of Chartered Accountants of Nigeria (2003), and an Associate of Institute of Taxation of Nigeria. She holds an MBA from the University of Manchester Business School. She has had over 37 years of proven professional experience, which traverses Auditing, Accounting, Risk and Financial Advisory Services.

She started her career in Akintola Williams & Co in July 1977 and qualified as a chartered accountant (ACCA) same year. She progressed to the position of a Manager in Akintola Williams & Co now Akintola Williams Deloitte in 1988. From 1988 to 1990, she was seconded to the National Bank of Nigeria as the Head of Inspectorate Division of the bank. Uche had audit experience in a wide variety of industries viz banking, consumer business, hotel, etc. She was at a time acclaimed the Bank Specialist of the firm.

Uche was the Manager in charge of the audit of African Development Bank for three consecutive years. She became the 1st female Partner of the firm in May 1993. Following her admission in 1993, she became the Partner in charge of the Professional Standards Review department and was also in charge of the Risk & Independence functions of the firm till 2001. From 2001 to 2007, she headed the Financial Advisory Services (FAS) department and at the same time overseeing the risk functions of the firm. As Head of the FAS department, she led various Initial Public Offerings, the mergers & acquisitions of five banks during the Banking Consolidation in Nigeria, the due diligence exercises for twelve banks and valuations of 3 banks during same bank consolidation.

She was also involved in many Reporting Accountants assignments. Later in 2007, she was appointed the regional Reputation & Risk Partner for Deloitte West & Central Africa (WeCA) comprising Nigeria, Ghana, Cameroon and The Gambia. In June 2009, she was appointed the Head of Audit for Deloitte WeCA. She took up the strategic role of Audit Market Leader for Deloitte West & Central Africa (WeCA) in 2011. She retired as a Senior Partner in May 2015.

She was a foundation member of Society of Women



Erobu

Accountants of Nigeria formed in 1978. She has been a member of the Governing Council of the Institute of Chartered Accountants of Nigeria (ICAN) since May 2007 and has held various chairmanship and Deputy Chairmanship positions in various committees of the Institute. She served on the Committees of the Nigerian Accounting Standards Board now Financial Reporting Council of Nigeria for setting the Standards on Cash flow statements and Small & medium enterprises.

Uche is happily married with children and grandchildren.

The Honorary Treasurer, **Mr. Tayo Phillips** is an alumnus of the University of Lagos where he holds a Masters degree in Business Administration. He is a seasoned Chartered Accountant since 1986 and a Fellow of the Institute of Chartered Accountants of Nigeria. He has been a member of the Governing Council of the same Institute since 2005.

He is a Certified Forensic Accountant and Certified IFRS practitioner. He was an examiner of the professional examination of ICAN for over 20 years. His over 30 years professional carrier cuts across diverse sectors of the economy including professional accounting practice, multinational corporations and consulting. He was an Audit Manager with UTC Plc and in Rank Xerox, he was Chief Accountant, Finance Controller, Executive Director



Phillips

Finance and Administration and ultimately the Managing Director of the world's reprographic giant.

He attended and participated in several training executive development programs in and outside Nigeria. He became the pioneer Managing Director of Systems Derivatives Limited, an IT based company before assuming the role of Managing Consultant with TP Consulting, a multidisciplinary firm of Consultants.

His service to the Institute include, among others, Chairmanship of the Annual Accountants' Conference for a record three years that witnessed unprecedented innovations to the program. Chairmanship of the Accounting Technician Scheme for West Africa (ATSWA) and Chairman Harmonisation and Implementation Committee that introduced ATSWA examination to Sierra Leone and Liberia.

He served as a consultant/committee member on some World Bank IDF funded projects in both Nigeria and West Africa sub region. He was the Chairman of the ICAN/ICAEW Twinning arrangement that gave birth to the new professional examination structure and syllabus.

He was appointed by the Federal Government to serve on the Governing Board of the Financial Reporting Council of Nigeria. Tayo Phillips is widely travelled, plays Golf and loves reading at his leisure.

Akibayo, Anyanechi, Elected Into ICAN Council ... Erobu, Okwuadigbo, 4 Others Re-elected

Mrs. Titilayo Akibayo, FCA and Mr. Chibuzor Anyanechi, FCA have been elected into the Governing Council of the Institute. Six members of the Council of the Institute were also re-elected for a fresh three-year term.

The result of the election held between May 12 and 26, 2015 was announced at the last Annual General Meeting (AGM) of the Institute held on Friday, May 27, 2016 at MUSON Centre, Onikan, Lagos.

The winners of the election are:

1. **Mrs. Uchenna Ifesinachi Erobu**, MBA, FCA
— Re-elected
2. **Mrs. Onome Joy Olaolu-Adewuyi**, MSc, FCIB, FCA
— Re-elected
3. **Mazi Nnamdi Okwuadigbo**, BSc, FCA
— Re-elected
4. **Chief Oye Akinsulire**, MSc, MBA, FCA
— Re-elected
5. **Mrs. Comfort Eytayo**, FCA
— Re-elected
6. **Deacon Solomon Adeleke**, FCA
— Re-elected
7. **Mr. Chibuzor Anyanechi**, FCA
— Newly Elected
8. **Mrs. Titilayo Akibayo**, FCA
— Newly Elected



Mr. Tayo Phillips, FCA (left); Mrs Uchenna Erobu; Alhaji Razaq Jaiyeola and Alhaji Isma'ila Zakari taking the oath of office as Honorary Treasurer, 2nd Deputy Vice President, 1st Deputy Vice President and Vice President respectively

ICAN MEMBERS' BENEFITS

The Institute is into strategic partnership with various service providers to give members additional benefits for fulfilling their membership obligation. Below are some of these benefits:

INSURANCE

Life Assurance scheme of up to N1.5million sum assured is available to the Next of Kin of a deceased member who was financially up to date as at the time of death at:

- Mutual Benefits Assurance.
- Goldlink Insurance PLC.
- Capital Express Assurance.
- FBN Life Nigeria Limited.

A special Motor Insurance Package is also available for members at Mutual Benefit Assurance.

CREDIT CARD WITH STANBIC/IBTC BANK

Stanbic IBTC Bank has launched a credit card scheme for members of the Institute. The service provides Fellows and Associates of the Institute a standby credit at no interest. Fellows of ICAN can access up to N400,000 (Four Hundred Thousand Naira) for 55 days while Associates can access up to N120,000 (One Hundred and Twenty Thousand Naira) for the same duration.

Members can access credit from Stanbic IBTC by downloading the forms on the ICAN website and dropping off at any ICAN secretariat where a Stanbic staff will process the request. The card is issued in partnership with Visa international and allows usage both locally and internationally. It can also be used on all payment channels — ATM, Point of Sale and Online. The card will also attract discounts and benefits when used to make membership due payments to ICAN.

ICAN MEMBERS' BENEVOLENT FUND

The Members' Benevolent Fund was set up to assist indigent members settle Children Education, Medical Bills and also support any member with Permanent Disability.

RESEARCH GRANT

As part of its efforts to expand the frontiers of knowledge in accounting, the Institute established an Accounting Research Fund of N500,000 with which it finances PhD research by Members in Accounting, Taxation, Auditing, Finance and related fields.

ICAN EMPLOYMENT BUREAU

The employment bureau assists members seeking employment or change of job.

DISCOUNT AT HOTELS

- **Lagos Airport Hotel**
(20% off accommodation rack rates).

- **Dover Hotel, Lekki Phase 1**
(30% off accommodation rack rates).
- **Bolingo Hotel, Abuja**
(20% off accommodation rack rates).
- **Peninsula Hotel, Lekki**
(35% off accommodation rack rates).
- **Angeles Hotel, Abuja**
(10% on weekdays and 30% on weekends off accommodation rack rates).
- **Excellence Hotel, Ikeja**
(15% off accommodation rack rates).
- **Richton Hotel, Abeokuta**
(30% off accommodation rack rates).
- **Premier Hotel, Ibadan**
(15% off accommodation rack rates).
- **Chida International, Abuja**
(30% off accommodation rack rates).
- **Rockview Hotel, Apapa**
(30% on room reservation, discount on group lunch or dinner for 50 people and above).
- **La Campagne Tropicana**
Membership registration fee of N150,000 to be paid by ICAN family.
- **Membership of Beach Resort** for every ICAN family shall be for a fee of 250,000. Registered members of the beach resort shall enjoy 20% discount on weekends and 25% discount on week days on all their facilities.
- **Ocean Hotels and Suites**
(20% off accommodation rack rates).
- **Protea Hotel, Kuramo**
15% discount accommodation rack rate (Corporate).
20% discount accommodation rack rate with (volume rate).
- **Sheraton Hotel, Lagos** (38% off accommodation rack rates) (Corporate) (exclusive of VAT and service charge).
- **Orchid Hotels, Lekki**
(25% off accommodation rack rates) (exclusive of 15% charges) (30% discount on lunch and dinner).

WHISTLEBLOWERS' FUND

The aim of the Fund, which has an initial take off capital of N50 million, is to protect ICAN members and the Public from any form of reprisals or victimisation when an alarm is raised on financial impropriety by public or private establishments, individuals or groups within the country.

The Fund is also to assist whistle blowers in litigation expenses reasonably incurred and to assist members of the Institute to discharge their professional duties without fear of being victimised.

Members are hereby encouraged to fulfil their membership obligation to the Institute to benefit from these incentives.

Nigeria Needs Good Leadership, Severe Sanctions Against Corruption — **Soetan**

The 52nd President of the Institute, Deacon Titus Soetan has called for good leadership, strong and enforceable laws as well as severe sanctions for corrupt crimes if the nation is to develop.

He posited that it is by doing this that the corruption cankerworm that has eaten deep into the country's system could be totally expunged or at least reduced to the barest minimal in the society. Soetan made the appeal while speaking at his investiture as the 52nd President of ICAN on May 31, 2016 in Lagos.

According to him, the Nigerian nation is going through very difficult times, caused by large scale corruption and sharp practices by leaders both in the low and high places, adding that given the huge natural and human resource endowments as a nation, Nigerians have no reason to be poor.

"Unfortunately, public resources that should have been used for the good of the majority are pilfered, stolen or diverted for reasons that are not altruistic. We do not need the annual appalling rating of Transparency International to realise that we have not kept faith with integrity and service for the common good."

"In various tiers of governance, personal gains have taken precedence over the public interest. It is unimaginable that the huge funds of US\$2.1billion meant to fight insurgents and



The 52nd ICAN President being decorated with the insignia of office by the Registrar/Chief Executive of the Institute, Mr. Rotimi Omotoso, FCA (left) and the Immediate Past President, Otunba Olufemi Deru, FCA during the investiture ceremony

terrorists, who brazenly and illegally annexed part of our country's territory in the North East, could be shared, without shame and conscience, by political stalwarts in the last administration and their allies in other parties," he lamented.

Speaking further, Soetan described as inconceivable that funds in the sum of over N23billion meant to pay the pension claims of senior citizens who had served the nation meritoriously over the years would be embezzled by a few persons assigned to superintend and manage such funds.

"It is unimaginable that graduates of Nigerian universities would be required to pay fees to sit for phony pre-employment test by a government agency as a ploy not only to raise funds from unsuspecting and unemployed youths but to also fund the greed of its leadership. The stampede and death of many promising Nigerian youths in that dishonest process inside the National Stadium shattered a lot of dreams and some families have been



Ogun State Governor, Senator Ibikunle Amosun, FCA (left); ICAN President, Deacon Titus Soetan, FCA; and former Anambra State Governor, Chief Peter Obi at the investiture

ruined and left without a breadwinner.”

He called on other professionals and chartered accountants trained in the art and science of wealth creation, protection and management, not to fold their arms and stand idle. He urged them to act to save the country from the stronghold of corruption.

While imploring Chartered Accountants to explore the strength of accounting profession to help government in stamping out corruption, he also appealed to the Council of the Institute to re-double its efforts at providing leadership to its entire membership and the country on policy issues.

“We must collectively resolve to strengthen the foundation of accountability in order to have a worthy legacy to bequeath to future generations. We must individually and collectively stand up and be counted on the side of selfless-service and justice so that we can continue to earn the trust of the people who elected us. As a collective and as individuals, we must indulge in self-examination today to impact the future of the Institute and profession. The time to act and walk the talk is now,” he appealed.

Declaring the theme of the presidential year as **“Rebuilding the Broken Wall of Integrity”** the ICAN President explained that Chartered Accountants must strongly encourage and support the government to revisit the framework for public sector accountability and reporting in line with global mandate of IFAC to all its member-bodies.



ICAN President with Council Members

He however promised that as a foundation and active member of IFAC, ICAN will be in the vanguard of promoting the principles, ideologies and best practices embedded in the IFAC’s ongoing global campaign titled **“Accountability Now”**.

Also elected to serve with Deacon Soetan in the next one year were: Alhaji Isma’ila Muhammadu Zakari, mni, BSc, FCA, Vice President; Alhaji Razak Jaiyeola, BSc, FCA, 1st Deputy Vice President; Mrs Uchenna Ifesinachi Erobu, MBA, FCA, 2nd Deputy Vice President; and Mr Tayo Phillips, MBA, FCA, the Honorary Treasurer of the Institute. ●



52nd ICAN President and his wife (middle) with ICAN Past Presidents at the investiture ceremony

INAUGURAL ADDRESS

By Deacon Titus A. Soetan, FCA

During his Investiture as the 52nd President of The Institute of Chartered Accountants of Nigeria on Tuesday, May 31, 2016

Time for Sober Reflection

1. In the calendar of the Institute of Chartered Accountants of Nigeria, the first Tuesday after its Annual General Meeting each year stands out and it is uniquely marked by the Council. On that date each year, its governing Council statutorily invests one of their own as the Institute's flag-bearer for a new Presidential year in a historic, civil, joyous and convivial atmosphere. The Institute's strategic focus is also unveiled by the new flag-bearer with a stoic conviction that makes ICAN the envy of its peers; and the new dawn in the house of integrity is celebrated by members, non-members and well-wishers alike. These processes have become so routine that it is taken for granted. Here lies the irony.

2. Many see the glamour associated with the office of ICAN President rather than the arduous task ahead of the incumbent. Many congratulate the new flag-bearer rather than genuinely resolving and pledging to support him/her for taking on an onerous responsibility including being the spokesman for 40,000 members of diverse persuasion but joined together by the Accountancy Profession.

3. In line with the global best practices, a growing organisation like ICAN must rediscover itself. It must rethink its values and vision particularly when it is faced with challenges caused by several economic and other dynamics, some of which may be beyond its control.

4. The Council must re-double its efforts to providing leadership to the entire membership and to the nation on policy issues. We must collectively resolve to strengthen the foundation of accountability in order to have a worthy legacy to bequeath to future generations. We must individually and collectively stand up and be counted on the side of selfless-service and justice so that we can continue to earn the trust of the people who elected us. Indeed, as noted succinctly by Kenneth Cloke and Joan Goldsmith in **"The Art of Waking People Up"**, *"Trust is rebuilt by focusing not on what the other person did or did not do but on critiquing one's own behaviour, improving one's trustworthiness, and focusing attention not on words and promises but on actions, attitudes, and ways of being."* As a collective and as individuals, we must indulge in self-examination today to impact the future of the Institute and profession. The time to act and walk the talk is now.

The Nigerian Nation

5. Distinguished guests, ladies and gentlemen, it is common knowledge that the Nigerian nation is going through

very difficult times, caused in the main, by large scale corruption and sharp practices by leaders both in the low and high places. Given our huge natural and human resource endowments as a nation, Nigerians have no reason to be poor. Unfortunately, public resources that should have been used for the good of the majority are pilfered, stolen or diverted for reasons that are not altruistic.

6. We do not need the annual appalling rating of Transparency International to realise that we have not kept faith with integrity and service for the common good. In various tiers of governance, personal gains have taken precedence over the public interest. It is unimaginable that the huge funds of US\$2.1billion meant to fight insurgents and terrorists, who brazenly and illegally annexed part of our country's territory in the North East, could be shared, without shame and conscience, by political stalwarts in the last administration and their allies in other parties.

7. It is indeed inconceivable that funds in the sum of over N23billion meant to pay the pension claims of senior citizens who had served this great nation meritoriously over the years would be embezzled by a few persons assigned to superintend and manage such funds. It is unimaginable that graduates of Nigerian universities would be required to pay fees to sit for phony pre-employment test by a government agency as a ploy not only to raise funds from unsuspecting and unemployed youths but to also fund the greed of its leadership. The stampede and death of many promising Nigerian youths in that dishonest process inside the National Stadium, shattered a lot of dreams and some families have been ruined and left without a breadwinner. In response but painfully, the then government made empty and unfulfilled promises of employing some relations of the deceased and paying compensation to their families. Surprisingly, the then Minister of Interior was not sanctioned because he was considered a sacred cow. Only recently, is the course of justice being served by his court trial.

8. It will be foolhardy to think that the spate of corruption is restricted to the Public Sector alone. Far from it. Take for instance, the banking sector. It is incredible that 313 bank employees would conspire among themselves to steal from the banking system in 2008 a whopping sum of N53billion which, in essence, represents the loss of two banks in that year, given banks' minimum capitalisation of N25billion. Again in 2013, the banking industry, according to the CBN, lost N40billion to internet fraud arising from the introduction of the new Cashless

Banking Scheme in the country. While commending the Nigeria Deposit Insurance Corporation (NDIC) for providing the necessary comfort, if we sum up the cumulative amount lost by banks to deviants in the last ten years, using CBN figures, the faith of honest citizens in the financial system will be severely shaken. Yet, the banking system remains an engine of growth that must be supported by public resources because some of them are “too big to fail”.

9. All these malfeasances, in my view, point to a warped societal value system that celebrates wealth without recourse to source; a system that perceives fraud as the beneficiary receiving a share of the national cake rather than a denial of the larger populace of its legitimate access to the basic things of life. We cannot and should not continue on this path because the consequences are grave. According to Mahatma Gandhi, the revered Indian leader, *“there are seven things that will destroy us (a nation): Wealth without work; Pleasure without conscience; Knowledge without character; Religion without sacrifice; Politics without principle; Science without humanity; Business without ethics.”* That the Nigerian elite have been involved in politics without principle and business without ethics is an understatement!

10. The consequences of this unrestrained larceny of public resources were confirmed by Jose Ugaz, Chair Transparency International (TI) in the global body’s 2014 Corruption Perception index: *“Poorly equipped schools, counterfeit medicine and elections decided by money are just some of the consequences of public sector corruption. Bribes and backroom deals don’t just steal resources from the most vulnerable; they undermine justices and economic development and destroy public trust in government and leaders.”*

11. Distinguished guests, ladies and gentlemen, the solution, in my view, lies in good, ethical leadership, strong and enforceable laws against corruption, severe sanctions for corrupt crimes underpinned by a national culture of promoting ethics from the family to national levels. For the citizenry to sustain their trust in government and leaders, the public good must take precedence over the personal interest of leaders.

12. As professionals and Chartered Accountants trained in the art and science of wealth creation, protection and management, we cannot fold our arms and stand idly by. We must act now to save our nation from the stranglehold of corruption as stoutly espoused by the current administration. According to Lord Milner, *“if we believe a thing to be bad, and if we have a right to prevent it, it is our duty to try to prevent it and damn the consequences.”* Corruption and sharp practices are evil. We have the right skills and obligations to prevent them and fight the course of justice and integrity. We must lead by example and support the government to succeed in this anti-corruption crusade in the long term interest of Nigerians and generations unborn. We must take on the gauntlet and act. If we fail to act as good men and women, evil will triumph over good. God forbid. The bell tolls for all of us.

13. Accordingly, the theme for this Presidential year is **“Rebuilding the Broken Wall of Integrity”**. As a professional body and bastion of integrity, we would strongly encourage and support the government to revisit the framework for Public Sector accountability and reporting in line with the global mandate of

IFAC to all its member-bodies. As a foundation and active member of this global body, ICAN will be in the vanguard of promoting the principles, ideologies and best practices embedded in the IFAC ongoing global campaign titled **“Accountability Now”**.

14. The thrust of this laudable, worldwide campaign is to raise the bar of accountability in the Public Sector through the adoption of the International Public Sector Accounting Standards (IPSAS). Available studies have shown that countries that have embraced this form of accounting framework like New Zealand are not only in the top league of countries with low corruption index; there had been remarkable improvement in the standard of living of their people as their governments increasingly spread the resources to where they are needed most and also became more accountable.

15. Since we know that where there is no accounting, there cannot be accountability, we would partner with the government to build capacity to ensure the successful transition from the Cash-based to Accrual-based International Public Sector Accounting Standards as well as entrench the culture of accountability in governance. Pursuant to this, we shall be more visible in our public advocacy mandate and also equip our members in various ministries, departments and agencies of government to key-in into this initiative. I enjoin the Federal, State and Local Governments to brace up to the reality of a new dawn in which the public good, accountability, and merit will enjoy pride of place in governance. While we do not pretend that the journey will be smooth, we are convinced that it is achievable.

OTHER INSTITUTE'S INITIATIVES

16. As we press forward with the arduous task of rebuilding the nation’s value system, we will also take up and in some cases, conclude some of the laudable projects embarked upon by previous administrations in order to continue to position our Institute as a professional body of repute. Among these matters are:

Engaging ICAEW to Sign an MoU with ICAN

17. As you are all aware, the Institute successfully concluded the implementation of a World Bank-sponsored twinning programme with the Institute of Chartered Accountants in England and Wales which produced a new 16-subject, 3-level professional examination syllabus. The first diet of the examination commenced in November, 2014. An aspect of the World Bank grant which we have not followed through is the reciprocal relations which is expected to be signed by ICAN with ICAEW. During this presidential year, the Council will open further discussions with the leadership of ICAEW with a view to signing a memorandum of understanding for the benefit of our members.

Institute’s Entrepreneurship Programme

18. As you are aware, this programme was launched during the last presidential year by the Immediate Past President, Otunba Samuel Olufemi Deru, FNIM, JP, FCA. The idea was to propel our members to become entrepreneurs and employers of labour rather than just dusting their CVs all the time to seek paid employment. Given the positive feedback received from the various editions so far held in Lagos, Ibadan and Port Harcourt,

we will spread the news to additional nooks and crannies of this country where our members are based.

We will bring the might of the Institute to collaborate with various funding agencies both public and private and with skilled development partners for mentoring of our members. We will also set up co-operative schemes, entrepreneurship competition and entrepreneurship fund to further enhance the programme.

Lecture Theatres in Tertiary Institutions

19. One of the ways by which we have tried to make the Institute visible to the general public especially to students in higher institutions is by building lecture theatres in various tertiary institutions of learning all over the country. To date, we have such lecture theatres in five universities (Obafemi Awolowo University; University of Benin; University of Nigeria, Enugu Campus; North West University, Kano; Michael Okpara University, Umudike); and The Polytechnic, Ibadan. We will continue in these efforts by extending the same benevolence to more universities and polytechnics in the near future.

Strengthening the Small Medium Practices

20. It is common knowledge that most of our members in practice operate small and medium-sized practices (SMPs) with all the associated challenges. Over the years, efforts have been made to ensure their continued relevance by exposing them to international best practices and standards through various technical support. This is because what they do or fail to do has severe implications for the quality of financial reporting in Nigeria. This presidential year, more efforts will be made in this direction to hold regular interactive technical programmes aimed at enhancing their professional competence in rendering high quality services to the society.

21. In this respect, I call on the well-established firms particularly the “Big 4” firms to have a deliberate policy to mentor this group of practitioners. The SMPs should not be seen merely as competitors, but as worthy partners in developing the profession and generating employment for our members. If seen from this perspective, the issue of joint audit that generated a lot of emotions in recent time would not have been so. Collaborative meetings will be held with both the “Big 4” and the SMPs with a view to further strengthening the profession in our jurisdiction for the benefit of all members.

Succession Planning for Small and Medium-Sized Enterprises (SMEs)

22. In the literature, most SMEs do not survive beyond the first five years of existence while those that managed to survive beyond this time frame often suffer from challenges associated with succession planning. It is indeed very disturbing to see an otherwise well run and profitable enterprise not making it to the second and third generations. Accordingly, efforts will be made to bring SMEs into a round-table to educate them on how to proactively embed succession planning into their businesses. We will draw from the experiences of our Big 4 firms and other SMPs who have done extensive research work in this area.

Peer Review Mechanism

23. Practice Monitoring is one of the requirements of

the International Federation of Accountants (IFAC) which its member-bodies like ICAN are obliged to undertake to raise and sustain the quality of professional practice in their jurisdiction. Indeed, the IFAC SMO 1 titled “*Quality Assurance*” requires member-bodies to carry out Audit Monitoring visits.

The Institute commenced its Practice Monitoring initiative in 2009 and the exercise is on-going. Thus far, 342 practising firms have been reviewed with the full cost borne by the Institute. Since the commencement of the Practice Monitoring initiative in 2009, the Institute has expended about N80million on the programme. In view of the huge financial burden of the initiative on the Institute, Council will review and replace the programme with a peer review mechanism.

24. As planned, independent chartered accountants with relevant practice experience will be licensed as peer reviewers. They will not engage in any other audit or assurance work. These peer reviewers will be engaged by firms of chartered accountants to review their work and submit, on their behalf, the resultant report to the Institute for documentation. This review report will be part of the requirement for the renewal of practice license. Any firm that is not reviewed would not be allowed to carry out assurance and related assignments. The cost of the peer review exercise will now be borne by the firms reviewed. In furtherance of this objective, members at the last Annual General Meeting approved the registration of firms. This will go a long way to improve the services being rendered by our members to the public.

Continued Collaboration with Regional and International Bodies

25. The Institute has always established its presence in all regional, continental and international bodies (e.g. ABWA, PAFA and IFAC) all of which have ICAN as founding member. We will continue to strengthen our collaboration with these bodies by being in good financial standing and by encouraging our members to seek Board, Council and Committee positions in these bodies. We are aware of the very keen competition in getting to those positions but with the rising profile of our members in all the spheres of human endeavour, we believe it is achievable. We will continue to let those in authority know that indeed Africa is a continent to be reckoned with and Nigeria has all it takes to occupy any position in these organisations.

Institute's Governance and Secretariat

26. The success of the Institute depends largely on the competences and effectiveness of its human capital. While we may not be lagging behind other similar Professional Accounting Organisations (PAOs) within and outside of Nigeria in terms of work place infrastructure, we will continue to ensure that our staff at all levels are continuously exposed to update methods and best practices especially in Information Technology for the efficient performance of their duties. The following areas will be further strengthened:

▶ Information Technology

The Council recently awarded a contract for the total redesign of the information technology architecture of the Institute. The implementation of the programme has since started. The providers of the service and the Institute management must

ensure the project delivers on its mandate such that the service delivery of staff would improve remarkably.

► **Library Development**

The ICAN Act requires that 3% of the net income from the Annual Accountants' Conference be committed to Library development. Accordingly, we would invest more in our e-library and increase access of financial members to library services. The Abuja Library will hopefully be completed during the year.

► **Members' Education and Training**

The knowledge content of the Institute's Mandatory Continuing Professional Education (MCPE) programme will be enhanced during the year for the benefit of our members. The proposal to introduce e-learning into the MCPE programme will be pursued vigorously.

► **Faculties**

The Faculties were created in 2001 to encourage post-qualification specialisation of members. Although some of the Faculties have commenced their certification programmes, there is need to improve on the technical and professional offerings of all the Faculties. This would be done during the year.

APPRECIATION

27. My journey to this day has been ordered by the Almighty God to whom I ascribe all the glory and honour. He graciously used some persons to positively impact my socialisation process and my professional life. These persons are too many to be individually mentioned. Very specially I must thank my parents, Pa Samuel Adekunle Soetan and Madam Bernice Soetan (both of blessed memory) of Adeyinka Village in Odeda Local Government Council of Ogun State. It was from their toils and sacrifices that I had the opportunity to acquire western education and was brought up in the revered African tradition of hardwork, discipline and honesty. May God bless their souls as they continue to rest in perfect peace. Amen. I must affectionately appreciate my dear wife Evangelist Toun Soetan. Darling, thank you most sincerely for all your love. To my lovely children and granddaughter, thank you for all your support and prayers.

28. To all my well-wishers too numerous to mention, I am very appreciative of your individual and collective support that made this day a reality. May the good Lord also crown your activities with resounding success.

CONCLUSION

29. Distinguished guests, ladies and gentlemen, let me end this inaugural address by courting the support and unalloyed cooperation of members of the Presidency and Council so that we can deliver on our mandate to the Institute's numerous stakeholders. I am persuaded that as a team, we can make the difference. It is my earnest hope and prayers that our great Institute will overcome its current challenges and remain the flagship of professional bodies in Africa.

God bless you all.

Deacon Titus A. Soetan, FCA
52nd ICAN President

INSTRUCTIONS TO AUTHORS

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

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

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

Opinion articles would also be accommodated.

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

2016 MCPE PROGRAMME

Seminar Dates, Zones, Sectors and Locations

S/N	ZONE	SECTOR	DATES	LOCATIONS
1.	Port Harcourt	Tax Practice	August 03 – 04	Landmark Hotels, 4 Worlu Street, D/Line Port Harcourt, Rivers State
2.	Lagos	Telecommunications	August 03 – 04	Lagos Airport Hotel, Ikeja
3.	Abuja	Consultancy	August 10 – 11	Kapital Klub & Apartments, 3 , Gamal Abdul Nasser Close, near World Bank, Asokoro, Abuja
4.	Lagos	General Management Practice	August 10 – 11	Lagos Airport Hotel, Ikeja
5.	Kaduna	Tax Practice	August 17 – 18	NAF Club, Rabah Road, Kaduna
6.	Lagos	Petroleum & Energy	August 24 – 25	Lagos Airport Hotel, Ikeja
7.	Calabar	Consultancy	August 24 – 25	Transcorp Hotels, 10, Murtala Mohammed Highway, Calabar, Cross Rivers State
8.	Lagos	Tax Practice	September 07 – 08	Lagos Airport Hotel, Ikeja
9.	Lagos	Public Sector Accounting	September 28 – 29	Lagos Airport Hotel, Ikeja
10.	Asaba	Agriculture	October 26 – 27	Hotel Beniza, 1-4, Kingsley Emu Street, behind fine homes, off Summit Road, Asaba
11.	Makurdi	Tax Practice	October 26 – 27	Empire Suites Hotels, Plot 10/28 David Mark by-pass, Makurdi, Benue State
12.	Lagos	Banking	November 02 – 03	Lagos Airport Hotel, Ikeja
13.	Awka	Public Sector Accounting	November 02 – 03	ParkTonian Hotels, Enugu-Onitsha Express Way Awka, Anambra State
14.	Ibadan	Accountancy, Audit & Insolvency	November 09 – 10	Premier Hotel, Mokola Hill, Oremeji, Ibadan North East, Oyo State
15.	Aba	Tax Practice	November 09 – 10	Chidi Ajaegbu ICAN Centre, Opp. Federal Road Safety Office, Osisioma Express Road, Aba, Abia State
16.	Lagos	Capital Market & Insurance	November 23 – 24	Lagos Airport Hotel, Ikeja
17.	Abuja	Tax Practice	November 23 – 24	Kapital Klub & Apartments, 3 Gamal Abdul Nasser Close, near World Bank, Asokoro, Abuja
18.	Enugu	Consultancy	Nov 30 – Dec 01	Roban Hotels, Ukwa Street, Independence Layout, Enugu
19.	Lagos	Agriculture	Nov 30 – Dec 01	Lagos Airport Hotel, Ikeja
20.	Lagos	Accountancy, Audit & Insolvency	December 14 – 15	Lagos Airport Hotel, Ikeja

NOTE: A change in seminar dates/venues would be communicated to members via e-mail, SMS and on the Institute's website at least a week to the programme. Seminar Fee: N25,000 for pre-payment and N30,000 for payment made on the day of training. Credit Hours 15 units.

Continuing Professional Education (CPE)

For Members and Non-Members of ICAN

August 24 – 25	BUSINESS GROWTH IN A RECESSION	IBIS Hotel, 23, Toyin Street, Ikeja, Lagos
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Fees:	<i>Pre-payment (a week before)</i>	<i>On seminar day</i>
Members:	N35,000	N40,000
Non-Members:	N40,000	N45,000
Credit Hours: 16 units		

Executive Mandatory Continuing Professional Education (EMCPE)

Venue: Sheraton Lagos Hotel & Towers
 Mobolaji Bank Anthony Way, Ikeja, Lagos

1.	September 07 – 08	CORPORATE SURVIVAL: THE ETHICAL IMPERATIVE
2.	November 02 – 03	PERFORMANCE MANAGEMENT AS A STRATEGY FOR GROWTH
3.	December 07 – 08	MANAGING BUSINESS TRANSFORMATION AND EXPANSION IN TIMES OF TURBULENCE

Fees:	<i>Pre-payment (a week before)</i>	<i>On seminar day</i>
Members	N80,000	N85,000
Non-Members	N85,000	N90,000
Credit Hours: 17 units		

Topic Specific Programmes

3.	August 16 – 18	Sheraton Hotel & Towers, Mobolaji Bank Anthony Way, Ikeja, Lagos	CFO: Becoming a Strategic Partner
4.	November 29 – December 01	Sheraton Hotel & Towers, Mobolaji Bank Anthony Way, Ikeja, Lagos	Update on Financial Reporting Standards

Fees:	<i>Pre-payment (a week before)</i>	<i>On seminar day</i>
Members	N80,000	N85,000
Non-Members	N90,000	N95,000
Credit Hours: 17 units		

DURATION AND FEE

- ➔ **Duration:**
The duration of each programme ranges from **two to five days**.
- ➔ **Fees:** The following fees apply:

S/NO	SEMINAR TYPE	PAYMENT MADE ONE WEEK BEFORE THE SEMINAR (N)	ON SEMINAR DAY (CORPORATE CHEQUE OR BANK DRAFT ONLY)
1.	MCPE	25,000	30,000
2.	CPE	35,000 (40,000 non-members)	40,000 (45,000 non-members)
3.	EMCPE	80,000 (85,000 non-members)	85,000 (90,000 non-members)
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- Elevation to Fellowship;
- Obtaining and Renewal of Practicing License/Compliance Certificate;
- Membership of Committees;

- Voting at Council elections;
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Improving Efficiency In Tax Revenue Collection and Administration

By ROTIMI A. OMOTOSO

1.0 Introduction

Taxation is an instrument for national development and a major source of revenue for the government. Efficient administration of a nation's tax policies help to stimulate economic growth and job creation efforts through its impact on investment and capital formation.

Government's desire to reform the Nigerian tax system and develop a guide for transparent, efficient, effective and equitable tax administration in Nigeria necessitated the development of the Nigerian National Tax Policy (NTP).

The NTP is a document which sets broad parameters for taxation and other ancillary matters connected with taxation. It is a statement on the principles governing tax administration and revenue collection and therefore provides a set of guidelines, rules and modus operandi that should help regulate tax administration in Nigeria. Reforming our tax system is therefore a necessary precondition for a healthy public finance and growth.

2.0 Tax Collection and Administration in Nigeria

Government activities, including the provision of public services, rely on taxes collected from citizens and businesses. Government tax administrations perform the important functions of interpreting tax legislation; collecting various taxes and social security contributions; and enforcing tax laws (OECD, 2011). There is growing attention on increasing the efficiency of tax administrations in order to reduce costs while providing better services to citizens and businesses. Efficiency gains depend on how well these organisations design their internal organisational structures; how well they allocate budgeted funds to meet new or changed priorities; how they utilise Information and Communication Technology (ICT) and e-government initiatives to reduce costs; and how they determine the levels, remuneration

and mix of their staff.

In Nigeria, Federal Inland Revenue Service (FIRS) is charged with the powers of assessment, collection of and accounting for the taxes which the Federal Government is empowered to collect. FIRS derived its powers from its establishment Act of 2007 that grants it autonomy while state board of Inland Revenue of each state is empower to administer those taxes that are within the jurisdiction of state including that of Federal Capital Territory.

The opinion of Bariyama & Gladson (2009) was that Tax system is seen as personification of controversy with respect to policy formulation, legislation or administration. According to Ayua (1996), the procedures, machinery and approaches adopted in collection, assessment and corrupt practices of tax officials in implementing the tax system undermine the efficiency of tax administration. Nigerian tax system has undergone significant changes in recent times and this can be attributed to the provisions of Section 8(q) of FIRS Establishment Act 2007. In Nigerian, taxation is being enforced by the three (3) tiers of government, Federal, State, and Local governments. Each tier is empowered as spelt out in the Taxes and Levies (approved list for Collection) Decree, 1998 (As amended). This was recently harmonised in year 2015. Notwithstanding these efforts, there exists a number of contentious issues that impede the efficiency in collection and administration of taxation in Nigeria.

Naiyeju (2010) highlighted the various Challenges of the Tax Collection and Administration in Nigeria today as follows:

- i. Administrative Challenge
- ii. Compliance Challenges
- iii. Lack of Equality
- iv. Challenge of Multiple Taxes
- v. Poor Taxation Drive by tiers of Government
- vi. Challenge of Bad Governance

- vii. Challenge of Corruption
- viii. Challenges of Human Capacity Building and Training.

3.0 Rationale for Improved Efficiency in Tax Administration and Collection

3.1 Tax revenue is very important in financing of Federal Government activities, especially in this period of dwindling oil revenue (Akintoye and Dada, 2013; Oyedokun, 2016).

3.2 Nigeria as an emerging economy is still largely dependent on oil revenue and this has in recent times affected government spending in meeting her financial responsibilities as a result of the fall in oil prices at the global market (Ubani, 2013).

3.3 The quantum of revenue generated and expended on public infrastructure determines the level of development in any nation. Appah, (2013) affirmed that the development of any nation depends on the amount of revenue generated by the government for the provision of public infrastructure. It is safe therefore to say that the efficiency of tax collection and administration in Nigeria would greatly determine how much would Nigeria government generate from its Taxing powers (Oyedokun, 2016).

3.4 The NTP also listed the following factors as justification for reforming the tax system:

3.4.1 Increased demand to grow internally generated revenue has led to the exercise of powers of taxation to the detriment of the tax payers who suffer multiple taxation and bear higher-tax burden than anticipated.

3.4.2 Insufficient information available to tax payers on the compliance requirements. This information gap has created uncertainty and room for leakages in the tax system.

3.4.3 Multiple taxation by Governments at all levels which impacted negatively on the investment climate in Nigeria.

3.4.4 Lack of accountability for tax revenue and its expenditure.

3.4.5 Lack of clarity on taxation powers of each level of government/encroachment on the powers of one level/state by another.

3.4.6 Lack of skilled manpower and adequate funding, which led to the delegation of powers of revenue officials to third parties, thereby creating uncertainty in the tax system and increasing the cost of tax compliance.

3.4.7 Use of aggressive and unorthodox method of tax collections.

3.4.8 The non-refund of excess taxes to the tax payers due to the lack of an efficient and transparent tax refund system and sometimes lack of funding.

3.4.9 The non-review of tax legislation, which has led to obsolete laws that do not reflect Nigeria's current realities.

3.5 Other Challenges

- i. Lack of automation in the assessment, filing and collection of taxes.
- ii. Shallow and Insufficient tax treaties negotiated with foreign tax jurisdictions.
- iii. Abuse of interperiod equity and sustainable development process.

- iv. Neglected role of taxation in securing a stable flow of revenue to the various tiers of Government.
- v. Extensive underutilisation of taxation as a reliable alternative to oil revenue. Taxes are constantly available in so far as there are economic activities and enabling environment to carry out these activities.
- vi. Lack of measurable indices for demonstrated effective utilisation of tax revenues, investment promotion, infrastructural development and economic activity.
- viii. Lack of full implementation and utilisation of the current National Tax policy and its wide ranging procedural and operational guidelines.

4.0 Sustainable Development and Interperiod Equity

Sustainable Development as defined in the NTP is "development that meets the needs of the present without compromising the ability of future generation to meet their own needs."

Interperiod Equity on the other hand, according to US Governmental Accounting Standards Board (GASB), promotes the obligation of a government to assure that current-year tax revenues were sufficient to pay for current-year services and that payment of current-year benefits are not deferred to future tax payers.

It is a measure of accountability rather than a goal to be met in any specific reporting period and addresses the implications of fiscal decisions a government makes today but that may be felt well into the future.

Certainly, a lot needs to be done in observing the principles of Interperiod Equity in tax administration, government budgeting and financial reporting to ensure sustainable development and growth.

5.0 The Role of Fiscal Federalism

The current National Tax Policy (NTP) in its introductory pages sufficiently capture the issue of fiscal Federalism. The NTP posited that Fiscal Federalism in Tax administration must determine "which revenue functions and agencies are best centralised, which should run concurrently and which are better placed under the sphere of decentralised levels of government."

The NTP suggests that the tax reforms must address and resolve the issue of "who collects what, how it is collected, who controls what is collected, how what is collected is shared, who is responsible for spending what is collected and who is ultimately responsible and accountable to the tax payers for the revenue collected and its expenditure."

The NTP concluded that Fiscal Federalism must "provide for proper application of the doctrine of separation of powers in relation to taxation as it believes that adherence to these principles would bring an end to the disputes on the limits and powers of the tiers of Government in our federation on fiscal matters. It will also bring clarity and certainty to tax administration and the entire Nigerian tax system."

It is therefore paramount, according to the NTP, "to uphold the concept of Federalism as practiced under the Nigerian Constitution" in the administration and collections of tax revenues.

6.0 Recommendations

6.1 Using Technology to Drive Efficiency in Tax Administration and Collection:

- Electronic filing (e-file) of tax returns is the safest, fastest and easiest way to submit individual and business tax returns. Every Nigerian individual and business must be able to e-file his or her tax returns, and low income earners should be able to e-file Individual tax returns for free.

- In 2011, nearly 100 million US taxpayers opted for IRS e-file and since 1990, US taxpayers have e-filed over 1 billion Form 1040 series – the US individual tax returns. E-file is the way to go and no effort must be spared to achieve universal e-filing option for Nigerian tax payers by year 2020.

- FIRS e-services must complement e-filing of tax returns. FIRS e-services will include electronic products for tax professionals including FIRS e-file application process and electronic application platform for preparer identification numbers.

- With e-Services, incentive products can be introduced for electronic return originators to have access to e-products such as E-Disclosure Authorisation, Tax Transcript Delivery System and Electronic Account Resolution.

- The FIRS web site must also support FIRS e-file system – the FIRS web site must regularly post important information, including updates and Frequently Asked Questions (FAQs). Taxpayers must be able to use the FIRS Web site to locate the nearest Electronic Return Originators to assist them with e-filing returns/self assessments.

- With appropriate technology, it now becomes easier to expand tax administration to cover new tax areas such as heavy highway vehicle use tax return; federal excise tax return; sales tax return and electronic federal tax payments.

- It is therefore imperative that immediate steps must be taken for the establishment of technical guidance for software developers and transmitters who are interested in developing software for the proposed FIRS e-filing and e-services programs.

- The FIRS e-file systems will provide Nigeria's taxpayers top quality service by helping them understand and meet their tax responsibilities and by applying the tax law with integrity and fairness to all.

- The FIRS e-file will build strong client relationships and improve business for tax professionals. Authorised FIRS e-file Providers will meet the expectations of their clients. They will electronically file their clients' returns including business, individual, information returns, and self assessments. The returns will be processed faster with fewer errors and hopefully will mean quicker refunds and less contact with the FIRS.

- FIRS e-file will provide proof of receipt of e-returns. Individual and business clients can e-file balance due returns and schedule an electronic funds transfer (EFT) from their account for any date. Taxpayers can delay out of pocket expenses by paying their individual income tax with a credit card or an ATM card.

- The FIRS e-file will provide good return on investment of tax professionals by saving money on costs of printing, mailing, and document storage. It also helps to keep client information more organised, centralised, and readily available when needed.

6.2 Registration and Acceptance of e-file Participants:

- Each individual who is a Principal or Responsible Official must be duly registered and approved for e-services on the FIRS Web site, prior to submitting the FIRS e-file Application to the FIRS.

- Applicants requiring participation in FIRS e-file will use the proposed FIRS e-file Application System (after registering for the e-Services) at the FIRS Web site. Application will be fully simplified with easy step processes. This application process will apply to all applicants including Electronic Return Originators, Intermediate Service Providers, Online Providers, Transmitters, Software Developers (including those who want to develop software or e-file Forms for individual, business and exempt organisation returns) and Reporting Agents.

- When completing the FIRS e-file Application, the applicant will be required to provide basic information about the business and its Principals and at least one Responsible Official.

- The FIRS will conduct a suitability check on the applicant, and on all Principals and Responsible Officials listed on e-file applications to determine the applicant's suitability to be an Authorised FIRS e-file Provider.

- Transmitters and Software Developers will complete and pass testing before acceptance.

- The FIRS will assign Electronic Identification Filing Numbers (EFINs) to all Providers and assigns Electronic Identification Transmission Numbers (ETINs) to Transmitters, Software Providers, and Online Providers.

6.3 Awareness Campaign:

- National Marketing – Nationally televised satellite media tours in English and other major Nigerian languages will air on cable and prime networks, radio adverts, printed articles and online media campaigns to create full multi-media exposure for FIRS e-file prior to, during and after the go-live implementation.

- Marketing toolkit containing professionally developed materials to help Authorised FIRS e-file Providers advertise FIRS e-file and promote their participation in FIRS e-file will be developed and updated each year. The tool kit will include window decals for on-premise advertising, desk placards, e-file posters, stickers and current FIRS informational publications.

- A "QuickAlerts" system providing up to the minute FIRS e-file information will serve as the FIRS' technology messaging system for Providers. Users will receive messages by e-mail. The messages will advise of problems that may interrupt processing or acknowledgment of electronically filed returns, publication changes for FIRS e-file and other information of interest to Authorised FIRS e-file Providers.

- E-News for FIRS Tax Professionals – Periodic E-newsletters will be published for FIRS Tax Professionals. The e-newsletter will provide the latest national news for the tax professional community, as well as links to resources on FIRS web site and local news and events by state.

6.4 Objectives of an Efficient Tax System:

According to the current Nigerian National Tax Policy, the

following are the objectives of the Nigerian Tax System:

6.4.1 To promote fiscal responsibility and accountability: Transparency and judicious use of tax revenue for public goods and services.

6.4.2 To facilitate economic growth and development. The tax system should not discourage investment and the prosperity to save. The taxes should also not constitute a burden but applied proactively with other policy measures to stimulate economic growth and development.

6.4.3 To provide the government with suitable resources for the provision of public goods and services.

6.4.4 To address inequalities in income distribution.

6.4.5 To provide economic stabilisation.

6.4.6 To pursue fairness and equity.

6.4.7 To correct market failures or imperfections.

It is important we keep these objectives in focus when designing reforms and other efficiency structures for the nation's tax revenue collection and administration strategies.

6.5 Other Conclusions and Recommendations

As a way forward, the following are also recommended for efficient tax revenue collection and administration in Nigeria:

1. Simplicity, Certainty and Clarity of process.
2. Low Compliance Cost.
3. Low Cost of Administration.
4. Equity and Fairness.
5. Flexibility.
6. Economic Growth and Efficiency.
7. Transparency and Accountability.
8. Enthronement of Good Government to elicit voluntary tax compliance.
9. Strengthening of the present tax refund system. The FIRS, should demonstrate good intention by making prompt refund of taxes over paid by genuine taxpayers.
10. The tax authorities should be more careful and objective in their assessment to avoid taking excess tax from the taxpayer to warrant tax refund at a later date.
11. State and local government tax authorities should recruit, train, and motivate high level skilled personnel to administer taxes in their jurisdiction.
12. Corruption risk – mitigating strategies must be developed for tax collection and administration.
13. Promote voluntary compliance by being responsive to the request and the need of citizen.
14. Maintenance of single National database to help tax authority in identifying relevant taxpayers.
15. Engaging religion leaders on the need for their congregation to pay tax.
16. In conclusion, it is clearer we need structural reforms in revenue collection and administration.

This is collective responsibility between all levels of Governments – Federal, State and Local Governments and all hands must be on deck.

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US Internal Revenue Service – E-Filing options for Individual and Businesses. ●

★ **This Paper was presented by Mr. Rotimi A. Omotoso, FCTI, FCA, Registrar/Chief Executive, The Institute of Chartered Accountants of Nigeria at the GUARDIAN ECONOMIC FORUM ON TAX held at Civic Center, Victoria Island, Lagos.**

11th Northern Zonal Conference

Accountants Analyse Implications of IPSAS on Accountability

There's no gainsaying the fact that accountability is part of the processes to curb corruption in any given society and this came to the fore at the 11th Northern Zonal Conference of the Institute held at Justice Idris Legbo Kutigi International Conference Centre, Minna, Niger state with the theme: *International Public Sector Accounting Standards (IPSAS) Adoption in Nigeria: Implication on Accountability and Probity.*

In the lead paper delivered by the former Accountant-General of Kwara State, Alhaji Tunde Abdulkareem FCA, entitled "*IPSAS and Financial Accountability in Nigeria*," the roadmap for the adoption of IPSAS, corruption in Nigeria, its categories, causes and the efforts made by the government in curbing corruption were examined.

The paper stated that Financial Statements prepared in accordance with IPSAS must present fairly, the financial position, financial performance and cash flows of an entity, while the Statements must also be understandable, relevant, reliable, and comparable, to enable users make informed decisions, with the principle of fair presentation underlying the reporting.

The second plenary paper entitled "*IPSAS Adoption, Prospects and Challenges*" presented by Prof. Kighir E. Apedzan highlighted that the Federal Executive Council approved the adoption of IPSAS in July, 2010.

It explained that the roadmap for the adoption within the three tiers of government was developed and implemented between, January 1, 2014 to December 31, 2015. The accrual basis also took effect from 1st January, 2016. The paper argued that the global financial crisis of 2007/2008 and the subsequent sovereign debt crisis promoted the IMF and the World Bank to press and justify the implementation of the IPSAS across the globe.

The Conference was declared opened by the Executive Governor of Niger State Alhaji Abubakar Sani Bello who was represented by his Deputy, Alhaji Ahmed Muhammed Ketso.

In his speech, the Governor thanked members of the Institute for holding the Conference in the State in spite of security challenges in the northern part of the country. He called on members of the Institute to continue to discharge their professional responsibilities with utmost diligence and to shun vices that could bring their calling to disrepute.

He acknowledged that while IPSAS offers numerous benefits

over the medium and long term, it also entails short term costs and challenges that need to be seriously addressed by the heads of all MDAs concerned.

The keynote address at the Conference was delivered by the 51st President of the Institute, Otunba Olufemi Deru, FCA who acknowledged the relevance of the conference theme at this period in the history of the country as very apt and timely. Deru maintained that as a professional body whose activities are benchmarked on global best practice and objectivity, ICAN and its members by virtue of their training, are committed to accountability, transparency, objectivity and ethical values. He



Mrs. Uchenna Erobu (left); 51st ICAN President, Otunba Olufemi Deru; Niger State Deputy Governor, Alhaji Ahmed Muhammed Ketso; Alhaji Haruna Yahaya; Mrs. Comfort Olujumoke Eyitayo; Chief Oye Akinsulire; and Hon. Nasiru Muhammad at the 11th Northern Zonal Conference

stated further that to date, many countries have either adopted or adapted the IPSAS concept and have been implementing it.

Earlier in his welcome address, the Conference Chairman, Dr. Salisu Abubakar, FCA advised every nation to put in place certain mechanisms aimed at upholding and ensuring integrity, probity and accountability. He said that such mechanisms could be in form of laws, codes, or guidelines for best practices which are in the interest of the nation as a whole. According to him, IPSAS is one of the codes and guidelines introduced by the federal government in public administration.

Other papers presented at the conference include: *IPSAS and Financial Accountability in Public Sector*; *IPSAS Adoption: Prospects and Challenges*; *Budget Monitoring and Performance in IPSAS Environment*; and *Model IPSAS Compliant Financial Statements*. ●



*The 52nd President of the Institute of Chartered Accountants of Nigeria (ICAN), **Deacon Titus Soetan, FCA**, is not a novice in the practice of accounting, having spent over 40 years to ply the trade he knows best. Before his election to lead and be the spokesperson for over 40,000 chartered accountants, his experience and exposure played a vital role.*

*In this interview with the editorial team of **The Nigerian Accountant** led by the editor, **Bunmi Owolabi, Muyiwa Dare** and **Nkem Jacob**, the soft spoken and highly experienced professional opened up on how to improve the nation's economy, how to move accounting practice forward, and the best ways to tackle corruption in the country.*

We Need Appropriate Regulations, Legal Framework to Attract Investors

— *Deacon Titus Soetan, FCA*

Congratulations sir on your election as the 52nd President of ICAN, which is a dream of most Chartered Accountants in Nigeria. What special feeling did you get on assumption of office?

First of all I feel grateful to the Almighty God because it is one thing to have a dream as you said, and it is another thing for the dream to come to reality. I know that it is God that guides, leads and make things possible. So, I want to give thanks to God for this special privilege to be in this position.

As for personal feeling I can tell you that I feel personally inadequate because of the challenges that I feel the office will entail, inadequate in the sense that I cannot do everything myself. I have to rely on people and the processes that are in place to be able to achieve meaningful results. If my people does not support and cooperate with me I may not be able to achieve results and I know that leading people who are at par with me calls for maturity, tact, humility and respect. As chartered accountants, we all did the same examination to qualify, so if I am lifted up above other people who are on the same level with me to be the leader, it is not because I am special, it is just by the grace of God and mercy. I must have that at the back of my mind at all times.

What will be the main thrust of this presidency?

The thrust has been enunciated in my acceptance speech and it includes strengthening our Institute in all areas to remain the Institute of repute, the first choice among professional bodies in Nigeria. This will affect our systems, our structures, and our processes. Yes, we have a good system, yes we have a good brand; but nothing is so good that it cannot be improved upon.

The last president pursued the entrepreneurship initiative. Have we seen the end of that programme?

No. The entrepreneurship initiative cannot die. In fact we have just seen the beginning, not the end of it. The feedback we got from the programme implementation so far is very positive. We

would take the programme a step further by narrowing it down into specialised segments of entrepreneurship. Don't forget that what we did was just general entrepreneurship. Now is time for us to narrow down to specifics. For those interested in going into agriculture, we will look into various branches of agriculture; for those who are interested in going into real estate, those who are interested in going into entertainment, manufacturing, and hospitality management, etc, we will be examining these areas more closely.

You have rightly noted that the nation's economy is in dire straits. One of the evidences is massive unemployment of professionals including accountants. How can chartered accountants help rebuild the economy and create jobs for accountants and other professionals?

I have this strong view that job creation is the responsibility of everybody, not just government. Economies that are doing well all over the world are those ones that the small and medium enterprises have been running very well. We are five people sitting here now, if each one of us sets up a business and the first person employs 25, the other person employs 20, another one employs 15, another 10 and the last person employs 5. The multiplier effect of this would be as if we have employed a thousand persons and that is how economy works. Everyone cannot work in the ministry, government agency or department. But for the SME to thrive, we need an enabling environment. Top of this need is infrastructure. Once you have good roads, water, electricity, etc, Nigerians are hard working, they would find their level. We are very hard working. So that is what I will encourage government to do immediately to kick start our economic revival. At the moment we are running a generator country, without generator you cannot run any business. But there are factories and establishments that cannot run on generators due to certain limitations. I know the government is trying to do something, but they should do more. Also our entrepreneurship programme could help our members

see themselves as prospective employers, not just employees. We would partner with development funding organisations to provide some form of financial and mentoring aids to people who have good projects at hand. This we believe would help our members exit the employment circle and become more productive.

You also said in your inaugural address that chartered accountants must act now to save our nation from the stranglehold of corruption as espoused by the current administration. What exactly is the role of chartered accountants in this anti-corruption crusade?

Yes, chartered accountants should play their own role in helping salvage the country from corruption. With corruption, we are going nowhere as a nation, even if our earnings quadruples and corruption is still deeply rooted, we are not going to make progress. So it behoves on us as accountants to help the government in building a virile economy that we all will be proud of. As a chartered accountant, if you are working somewhere, you must have a good conscience that cannot be bought. You should not be bought because if you compromise and take what you shouldn't take or allow someone to have access to a commonwealth, you could be called to account in future. You may be forced to vomit what you ate and that will bring shame to that person and the profession. Our motto is "Accuracy and Integrity" and chartered accountants should observe that in their dealings wherever they find themselves. They should know that we should not condone corrupt practices. We have always said that corruption is not the issue. It festers because we do not deal with it whenever it arises and plug the

‘ I have this strong view that job creation is the responsibility of everybody, not just government. Economies that are doing well all over the world are those ones that the small and medium enterprises have been running very well. But for the SME to thrive, we need an enabling environment. Top of this need is infrastructure. Once you have good roads, water, electricity, etc, Nigerians are hard working, they would find their level ’

loopholes as well as remove identified incentives that promote it. Nevertheless, ICAN has a system through which it tries members who run foul of the professional ethics. If they are found guilty severe punishments are imposed and depending on the level of culpability, such accountant could have his/her certificate cancelled and membership of the institute withdrawn. We are the conscience of the nation and we must act as such at all times. Our training is not only in figures, we have ethics which we must observe at all times. I believe we have a key role to play. We intend to partner more with the government in training its workforce on the International Public Sector Accounting Standards (IPSAS). We have started that during the last presidential year and we would strengthen it this year. The training would not be only at the Federal level, we would take it to the State and Local Government levels. When people are trained they can do things properly.

Do you think that the adoption of the global financial standards like IFRS and IPSAS in Nigeria can really make any difference in the country, considering our own peculiarities?

Yes, they will make the difference. Let us look at the IFRS first. It has taken root in the private sector. Every company quoted on the Nigerian Stock Exchange prepares its accounts using the IFRS, even unquoted ones are observing a transition period that the Financial Reporting Council (FRC) has stipulated. So the private sector is already operating with IFRS. But it is not the same story with the IPSAS implementation in the public sector. Although Nigeria has adopted it in principle, we would like to see it in practice. We call on government to make this happen and we will partner with government to provide the necessary technical support and capacity building. It will surely be helpful in our environment because the major tenet of those standards is disclosure and transparency. If you disclose something it becomes a public knowledge and the chance of not complying diminishes and it becomes easier for you to be called





to account. I think it would help us when government's business and organisations disclose their operations in such a way that makes it transparent and government has to adopt this accrual system of accounting rather than the cash based system.

Accounting just like other professions are facing challenges that affect their operations. What do you consider as the major challenges facing accounting profession in Nigeria today and what will ICAN under your presidency do about them?

The challenges could be grouped into two – the studentship challenge and the membership issues. For the students they have no choice than to key into the prescriptions handed down by the Institute. That is the laid down rules and regulations. I know that educational institutions are facing some challenges that affect their students including accountancy students such as shortage of qualified manpower, shortage of equipment, facilities and accessories. That is one area we have begun to intervene by building, equipping and donating lecture theatres to tertiary institutions. We will continue in this effort to enhance the welfare of our students by making the learning environment conducive. We will do all we can to continue in this regard. For the students themselves, they must not be satisfied with what their lecturers teach. They must go out of the way to research further, consult widely and seek information from various sources. Good enough, the Internet is there as a very versatile source of information.

For our members, one of their major challenges is economic as reflected in the lack of opportunities, lack of jobs and harsh

operating environment. These are not restricted to accountants alone. But the Institute will still continue to do its best. One area I have mentioned is the entrepreneurship programme. We will continue to enlighten our members that they can make it by becoming entrepreneurs. For those who are in practice we will continue to partner with them to strengthen their practice to international best standard so that they can attract the right kind of clients.

What about the quality and quantity of those who are coming newly into accounting, are you getting the right calibre and numbers?

We have our own standard and until you meet that standard, you are not just there and we cannot take you in. Our admission criteria are strict and our examination process is not compromised. That is why people think that the number of people who pass our examinations were pre-determined. No. The issue has always been that we insist on high standard and have been strict about it. Whatever your educational background, the door is open if you want to be a chartered accountant but you must meet our standard whether as a student taking the exams or members already in practice.

Considering the impact of globalisation, changing technologies and innovation of processes and systems on the profession what do you expect to be the profile of a future chartered accountant?

The profile of the chartered accountant is already changing. The new chartered accountant is one that is conversant with the application of modern information technologies and systems. We have recognised and incorporated this into our student training modules. Post qualification, we have organised our members into specialisation areas called faculties so that our members could be specialists in various areas of accounting including tax, audit, insolvency & corporate re-engineering, information technology, financial reporting, etc. Altogether we have seven faculties each with its own certification process and the aim is to make our members formidable (intellectually and practically) in their areas of specialisation.

The era when accounting was perceived to be about crunching numbers alone has gone. The new accountant is versatile, knowledgeable and a strategist in almost all aspects of organisational leadership and administration. So I expect the future chartered accountants to be so versatile and knowledgeable that he/she could run any operation from small business to large scale agriculture, from large scale commercial operations to rocket propulsions companies. Even the training we receive prepare us for diverse roles, not just accounting and my vision is that the future chartered accountant will be a complete leader.

Still on IT, many examination bodies have adopted the

“We are the conscience of the nation and we must act as such at all times. Our training is not only in figures, we have ethics which we must observe at all times”

computer based test for their examinations. What is ICAN doing in this direction?

That is one of our major on-going projects. We have adopted it because that is the way to go. We are working on it seriously and very soon full implementation will begin. However, you must note that we are not just starting to use IT in our operations. We have been facilitating our processes with IT for a long time. What we are working to achieve now is full computer based testing of our candidates. Once we achieve that, which I expect to be soon, it will eliminate paper work, reduce cost of operations and put the Institute at par with other global organisations.

Let us go back to the Nigerian economy and look at the current challenges the government is facing on exchange rate management and reduced earnings. What is your take on these issues?

I think when the present government came in, the president was resolute. When people advised him to devalue the Naira, he was not convinced. He insisted that people should convince him. I think he meant well because we are by and large a consuming nation. So if you devalue your currency you begin to pay more for items that you import and this is virtually everything. He meant well for the economy and the people. But you see meaning well does not translate into having dollar in your foreign exchange vault. In a situation where our income has plummeted by about 70% means we cannot do the things we used to do. So we need to look realistically. In the last one year the government was defending the Naira but has suddenly found out that it is not sustainable. That is what the new flexible exchange rate is all about and people have hailed it as the right step in the right direction. I think so too. The new system will eliminate rent seeking because several people do nothing else other than buy and sell forex and make margins through diversion of official allocations to the autonomous market. Now we will know those who really need dollars. Again, Naira that will be available to the three tiers of government will increase notwithstanding that actual dollar revenue has reduced. I expect they will find it much easier to pay salaries and allowances. But there is another side to it. You will find out that some of these state governments have loan obligations that are denominated in dollars and they will need more Naira now to meet those obligations. But I think in the long run if we implement it faithfully, the Nigerian economy and people will be better for it.

With a reduction in the revenue accruing to



government due to declined oil price and losses caused by the activities of the Niger Delta Avengers who are blowing up oil installations. What do you think is the way out for the country?

I believe every well meaning Nigerian should appeal to those people who have taken up arms to dialogue with government and bring their grievances to the negotiation table. Government should also listen to them and do something about resolving the issues once and for all. The point is that this is the only country we have. If we wreck it, there is nowhere else to go. See the countries at war today – Syria, Iraq, Yemen, etc – everyone is affected in those places. This is happening because issues that should be managed and resolved

properly have not been properly managed. The aggrieved people should talk to government and government should listen and find out a win-win solution. If they continue like that, the implications are grave. For one, it will get to the point where you cannot produce the oil we all depend on, there will be nothing to sell and this will not be good for everybody. Then also it is a challenge to government to think seriously about diversification which it appears to have been paying lip service to over the years. We have come to a situation where we can no longer rely on only one product for our economy. Luckily there are several sectors to open up, all that is required is appropriate regulation, guidelines and legal framework to attract investors. Some countries don't have oil, they don't even have mineral resources but their tourism sector is lifting up their economies and we can do the same thing. But we cannot have proper tourism when the infrastructure is not there. So, as I said earlier, government should work on infrastructure especially electricity, transport, communication and security.

“Every state must look inward to see what it could do to generate more revenue internally. Again, they need to reduce their financial commitments. There is over-bloated bureaucracy in every state... I support the bail out in the short run to help them but in the long run, they should devise home-grown strategies to get out of the economic downturn”

Many states in Nigeria are down economically. Most of them owe several months' salaries and allowances. What can they do to enhance their economies?

I think they know what they can do. People have told them times over what they should do. But if you are used to a particular pattern of life, it is not always easy to change. They are used to going to Abuja every month to collect hand outs from the Federal Government and as such find it difficult to think out solution to their economic problems. But to face the economic realities of the day they should all look inwards. But there is a limit to what some states can do to generate substantial revenue internally. Some states without industries or serious commercial activities will find it extremely difficult in that regard. By and large every state must look inward to see what it could do to generate more revenue internally. Again, they need to reduce their financial commitments. There is this over-bloated bureaucracy in every state – a state governor is going for a state assignment and there is a convoy of ten cars following him, all bought, fuelled and serviced by the government whereas 90% of those on the trip have no relevance. When state officials travel they go on first class, some even have private jets. Perhaps this is the right time for them to subject every item of state expenditure to scrutiny to ensure that only those that will add value directly or indirectly are allowed.

We are also hearing about a second bailout for the states. Will this help?

Yes, it could help. If someone is sick, he needs medical help and you may need to give such help repeatedly until he/she gets well otherwise the situation may deteriorate further to a state of comma; he/she may even die. I believe the bailout is necessary because when you go to some states civil servants are owed up to five months and that has implications for families and for the economy. So as much as possible I support the bail out in the short run to help them but in the long run, they should devise home-grown strategies to get out of the economic downturn.

One of the sources of loss of government revenue is waivers and exceptions which are often abused and the fact that some organisations and individuals are outside the tax net due to negligence of government. What is your advice to government in this regard?

Government will not come out with a policy without thinking about it and how it could benefit the country. For instance, companies that are first in critical sectors are often given tax holidays because of their pioneering role. But the experience with us is that in the operation of these waivers, things are not usually transparent, what governs it is more of who you know

than the benefits that will later come to the country. When they are operated like that, the purpose is defeated. But if they are operated to meet their objectives there is nothing wrong with them. In the real sense of it there is no company that is outside the tax net but some can have certain privileges. But the most important thing is for the system to be transparent.

“The era when accounting was perceived to be about crunching numbers alone has gone. The new accountant is versatile, knowledgeable and a strategist in almost all aspects of organisational leadership and administration. Even the training we receive prepare us for diverse roles, not just accounting and my vision is that the future chartered accountant will be a complete leader”

If we heard you well, are you saying government should continue to grant waivers despite its current economic challenges?

Yes, why not. Don't forget that it is for a temporary period, not for eternity. But if government gives waiver for three years, what you see more often than not is perpetually elongation of the period. That is where the problem lies.

Do you have any advice for young people aspiring to become accountants?

Being an accountant, a chartered accountant for that matter is a desirable one. The profession is a noble one and is achievable by any serious minded person whether young or old. You may not be very rich, but the profession guarantees you a reasonable standard of living,

but you must work hard for it. They need to be forthright, they need to be dogged and morally sound. They must put in their best in whatever they are doing. At the end it will pay off. But it is not a profession for those who want to get rich quick. But if you are ready to live your life normally, it is a good profession.

How can you describe yourself, your leadership style and your philosophy in life?

One does not see oneself, others will see and describe you. You only try to be what you think you want to be. But as I have said earlier, the challenge I have as a person is to live a life that matters. The life that matters is the one that touches others and the world in a positive way. People have challenges and find it difficult to see who can put a smile on their faces. But someone that lives a life that matters seeks to put a smile on people's faces. The challenge for me is living out this kind of life in truth and in principle.

What do you do when you are not working?

When I have the time, I like to jog. Not only does it keep me fit and strong it also makes me mentally alert. But I don't have the luxury of time to do it all the time. I am a religious person. I engage in church activities and speak when it is necessary. I mentor people both in accounting and business as well in secular life.

Thank you for finding time to talk to us.

The pleasure is mine. ●

Role of Regulatory Agencies in Promoting Micro Investments in Nigeria

By **NWADEI IFEANYI**

The role of regulatory agencies as an intermediary between consumers and producers in ensuring wholesomeness of regulated products cannot be overemphasised. However, it would appear that agencies pay more attention to driving investors out of productions rather than identifying areas that could be improved upon. This attitude may not be in the best interest of the economy. It is imperative for the agencies, producers and consumers to work together for harmonious improvement of consumable goods through sufficient information flow. Making accurate information available in the public domain could help consumers make the right choices capable of driving unscrupulous producers out of the market. When this happens, the consumers are best served.

INTRODUCTION

Once laws are made, agencies are set up to enforce the laws. The agencies set up to enforce laws would be referred to as regulatory agencies. The usual intention of government in setting up regulatory agencies is to protect consumers that may not possess the technical knowledge of ascertaining the wholesomeness of any product. Therefore, regulatory agencies ought to assist consumers to confirm that the product is what the producer says it is.

However, when the producer has not produced anything, there would be nothing to attest to. It would mean that a product must exist and be made available to consumers for any meaningful attestation to take place. This is because an attestation done based on the high quality of production facility may not signify wholesome product. And it would be ridiculous for huge investment to be made on facilities while the product fails the test of regulatory agencies. There are situations where unwholesome products are made by organisations that have decent production

facilities. This kind of contraction could lead to commercial pressure.

Investment in production facilities of any minimum requirement is capital intensive. This could pose huge challenge to any enterprising individual that desires to be self reliant. It means that most start-ups may be hindered from making micro investment that could improve on its facilities over time if regulatory agencies place emphasis on facilities before the emergence of the product. However, it is arguable that this is the practice. Approval of facilities is done by most regulatory agencies before products get to the market.

Most micro investors possess skill in their area of interest. Few have money to buy input materials and fewer numbers have the capacity to do minimum investment as may be required by the law. Possessing skill may be an indication that high quality product may be achieved with improvised tools. It would be prudent to judge the product quality instead of placing undue emphasis on the facilities. Once the product is bad, the quality of

the facility is irrelevant. Paying attention on product which should be already in public domain may have the tendency to encourage skill enhancement resulting in provision of wholesome product in the long run.

Regulatory agencies should create cordial relationship with producers. Both producers and regulatory agencies should work together to serve the consumers. There is also need for regulatory agencies to offer advice that is capable of improving quality of products instead of slamming sanctions on perceived offenders that struggle to improve their individual economic standing in the society and as well reduce economic crises appearing in form of massive unemployment, high importation and others.

To achieve effective regulation of products, agencies should register producers in two stages. The first stage should be free with or without product testing or inspection of facilities. However, there should be evidence of products. This would give agencies opportunity to have comprehensive record of all producers in the market. The registration process would afford agencies opportunity to encourage producers to properly identify their products. The second stage should go with all stringent requirements and inspection. Meeting this requirement for second stage should be a testimony that the product meets international standards.

PERCEIVED ATTITUDE OF REGULATORY AGENCIES

Regulatory agencies are intermediaries between the producers and consumers. Their duties are prescribed by the laws of the land. These laws emanate from the acceptable moral and ethical standards generally practiced in the society. For instance, one is not expected to add poison to food products. Doing this would imply that the producer may have different intention other than meeting the need of man to buy and consume food that would provide nourishment for the body.

Naturally, once a producer is identified to produce harmful products, there would be no patronage for the products. It would imply that unwholesome products being introduced to the market may have occurred in error or out of ignorance. For instance, when bread makers introduce harmful bread improver that could cause cancer later in life, it would signify ignorance because the producer and his relations may consume the bread. In such situation, regulatory agencies that understand the full implication of the harmful substance ought to enlighten the producers. Both parties have to work together to find reliable solution to the matter.

Whenever regulatory agencies discover harmful ingredients in food products without joining force with producers of products already known in the market but go ahead to condemn the products, there would be war between the parties. The consumers that may benefit from new information on product improvement would become spectators. The potential harm identified would be too remote to make consumers reject the products. Such natural rejection by consumers would make harmful products exit the market. When natural exit does not occur due to absent of effective communication, the agencies may have to act at the risk of their lives and resources to force the products out of market.

To achieve forceful removal of any products from the market, there would be destruction of such goods at a cost to the regulatory agencies and the producers. It is a situation of loss

to all the parties. Where there is resistance on the part of the producer because of lack of acceptance of wrong doing, the law enforcer may be attacked which may lead to bodily harm or death.

In all situation of forceful removal of products from the market, regulatory agencies may be acting under the influence of negative attitude. This kind of attitude is capable of discouraging investment in the economy. Positive attitude exhibited by regulatory agencies would help to develop technologies, improve skill and foster entrepreneur spirit.

ATTENTION OF REGULATORY AGENCIES SHOULD BE ON PRODUCT NOT TECHNOLOGY

There are basic processes for any meaningful production to occur. These processes may not be compromised for production to be achieved. It may not matter if simple tools or complex machines are in use. Simple tools may be labour intensive while complex machines are capital intensive. The economic standing of the investor would determine the production process that would be adopted.

As the society develops, there are more tendencies for newer complex technology to emerge. This help to reduce cost of production and make goods to be available in large quantity. This does not change the basic principle of production but would be better favoured because of ease of production. However, complex machines may be too expensive for micro investor to purchase. The ease with which simple tools could be acquired makes the adoption of locally made simple implements attractive to the micro investor.

The indigenous technologies and skill for making most products reside in older members of our societies. The younger educated members of the society pay less attention on these technologies and skill because of the poor pricing of these locally made products. Incidentally, the quality of the products may be better than what is available in the market but the finishing and packaging may not be attractive.

The poor finishing and packaging of locally made products are what make them to be poorly priced. It would imply that once the finishing is improved and packaging made right, the products could favourably compete with similar products made anywhere in the world. But this improvement in finishing and packaging would attract the attention of regulatory agencies that may have ignored the existence of the products. It would appear that regulatory agencies prefer locally made products to remain crude and low priced.

There may be nothing wrong if regulatory agencies help micro investors to raise the bar in their production processes which would enhance skill and technological development. For instance, drying of fermented cassava which are usually made into food from the wet stuff would increase the shelf life. When this dry cassava stuff is packaged in airtight material, regulatory agency would ask for factory certification and product registration. This is because, the local illiterate producer of wet cassava products may not consider the option of drying to prevent hasty disposal through sale. The agencies could be of help in teaching the illiterate producer how to make more money through improvement in packaging.

Regulation of any product due to difference in packaging may be interpreted as an attack on the educated micro investor. This

is because the difference between educated and illiterate micro investors is in finishing and packaging. The educated persons want to raise the status of products that underwent the same production processes to attract the attention of the people of higher class. Therefore, it would be wrong to practice selective regulation that may not have any impact on the product available to consumers in the market place. For instance, it is arguable that regulation of products is not in the interest of the masses when palm oil sold in open bowls in the market is unregulated but becomes regulated when properly packaged. Also, there is no regulation on quality of products delivered by road side welder but would become regulated when it becomes well packaged. Incidentally, majority of Nigerians patronise the unregulated products in their numbers without any fear of being harmed.

ASSUMED TECHNICAL SKILL OF REGULATORY AGENCIES' STAFF

Regulatory agencies are perceived to parade highly competent and technical knowledge of particular products they are meant to regulate. The agencies are also expected to adequately interpret the enabling laws setting them up for proper application. This is because the interpretation of any law depends on one's understanding. Once the spirit of the law is missed because of poor interpretation of the law, one would begin to fight against the law and the people that are supposed to be protected by the law.

In the time past, there were occasions where regulatory agencies have caused government to err which resulted in the erring agency to pay fine. There is no annual budget provision for fine. Payment of fine due to wrong interpretation of the law or funding of court cases is done with tax payers' money. But this could be avoided by providing adequate training and exposure to current events taking place in the regulated products' industry. The era of sending green horns to inspect the production processes of regulated products without incurring the risk of court cases is gone. Academic knowledge is not a sufficient exposure to acquire functional knowledge of the industry of regulated products.

The employment of staff in the regulatory agencies creates opportunity for attracting highly competent persons to operate the agencies. But the situation would not allow competent staff to be employed since most employment processes are characterised with favouritism and ethnic interest. In this kind of situation, competence is sacrificed on the altar of mediocrity to the detriment of the economy and the nation.

Competence is attained through knowledge acquisition in formal education and working in core production sections of production companies of regulated products. The formal education prepares one to understand the basic operations and the impact of the processes on the products. Knowledge of this would prepare regulators to encourage micro investor with poor understanding of impact of processes on products and check the excesses of big producers. This would result in high quality products being made available to the market.

Regulatory agencies can correct problem of knowledge and skill gap by placing staff on training in production companies. This arrangement should not be done to find loopholes in the companies but to build capacity of staff, strengthen relationship

of agency and the industry as well as help producers to adopt best practices. The relationship of regulatory agencies and producers should not be a war situation. None should take advantage of the other but work as partners to the benefit of consumers.

MICRO INVESTMENT IN REGULATED SECTOR

Micro investments are business units undertaken by individuals or family units. Sometimes, the investment is made to support family income or as an option for removing oneself from the unemployment market. The initial start-up capital for this kind of business is usually small. Sometimes, initial start-up capital may not be required but skill.

Micro investment could be done in most kind of businesses. This includes production of regulated products. However, there is no clear distinction of products that are regulated or not but packaging or label. For instance, the business of soap making has been in practice for a very long time. Illiterate women make soap from materials generally available in the communities. The soap made may not have undergone laboratory testing or have attractive aroma to gain the attention of sophisticated members of the society. Yet, the quality of this kind of product may be unquestionable.

In societies where there is low micro investment for whatever reason, there would be high rate of unemployment. History shows that most big businesses that have become multi-national businesses started as micro investment. Some of them started in response to solving particular problems in the society or by expanding a little of their subsistence occupation. These micro businesses provide raw materials to bigger businesses or produce finished goods and services for consumers. They may not go into production of goods that have complex processes that could require huge investment.

Most micro investments have one staff, the investor. The tools for production are usually made or are acquired locally. The market for the products comprises of relatives, friends and neighbours of the investor. This people know the investor personally and may have good knowledge of the processes of production. This is what gives them confidence on product quality. In this case, there would be no information from the regulatory agencies that could dissuade consumers from consuming the products.

In the case of micro investment in area of commonly available local products such as palm oil, palm kernel oil, coconut oil or others, regulatory agencies should work with local producers to elevate the products to international standards. This would not be achieved by enforcing standards that discourage them from improving in packaging, use of label or other items that could enhance the products' wider public acceptance and attract good price. This is the only way to boost local production of goods and services that can compete internationally.

MEETING UP WITH REGULATORY STANDARD

Every investor desires to provide high quality product or service in exchange for money. However, achievement of excellence in this area is not easy hence the presence and encouragement of regulatory agencies may be required. The agency would stimulate and assist investors to meet minimum standard for certification to be done. Certification is expected to be the target of every investor since it should boost public confidence and stimulate

increase in sales.

Meeting regulatory standard involves investment in infrastructures. This is capital intensive that should be achieved over time. If micro investor pays attention to investment in infrastructures, the business would never take off. This appears to be the reason why many talented and skilful potential investors fail to take off. They wait for capital which will never be enough. Those that muster courage to make do with what they have but pay attention to meeting infrastructural requirement as demanded by regulatory agencies may be stalked. Some that manage to complete the structures may not have working capital to keep production running.

Arguably, one could say that acceptance of product or service by the market is a better certification to regulatory certification. Regulatory certification without market acceptance of product or service is a wasted investment. But when there is market acceptance, the quality of product or service could be improved with the assistance and encouragement of the regulatory agencies. When this happens, the relationship of investor and regulatory agencies would become fruitful.

Micro investors benefit from demand pulled investment. The capital available to these kinds of investors is small and is usually applied to producing goods and services that should be immediately exchanged for money. For instance, a young consultant should pay more attention to providing seamless services which would bring money for renting of big office in choice area of the town. This is applicable to micro manufacturer. To achieve this, there is need for regulatory agencies to support these kinds of investors through partnership in knowledge sharing.

ATTRACTING MICRO INVESTORS TO IMPROVE QUALITY

Regulatory agencies are usually perceived as enemies to micro investment. The matter is worse in very corrupt societies. The officers of regulatory agencies in this kind of society use the law to carry out extortion. Failure to cooperate with the inspectors would attract sanctions which may include seizure of products, closure of factory, prosecution and others. This kind of attitude has the tendency of making investors to cut corners, become confrontational or behaves in other unacceptable way. When things happen in this way, the consumer that should be represented by the regulator may not be properly served.

Ordinarily, micro investors should be attracted to register with the regulatory agencies at no cost and without time limit. Temporal numbers should be allocated for each product as presented by the producer. This number should be different from product certification number which is allocated when products meet specified requirement. This would enable the regulatory agencies to know the number of persons or investors making particular products.

Once the producers can be identified, occasionally training should be organised at a token on the best practices in the industry for them by the regulators. This relationship should not give anyone an opportunity to harass another. The duty of the regulators should be persuasion to do the right thing. This would not signify any weakness on the part of the regulators. The essence is to make the consumers have maximum benefit for the use of tax payers' money in funding the agencies.

At present, plenty resources are spend by regulatory agencies chasing deviants to comply with the law. This should not be the case. Adequate information available to enhance production would attract voluntary compliance with law. The cost of effecting seizure of substandard products, prosecution of the culprits and chasing of suspects all over the country is not justifiable giving the amount of substandard products still in the market. Buildings are still collapsing, prohibited ingredients are still being used in production, and fake drugs are still being bought and others.

Incidentally, consumers have mix feelings when products are identified as fake in the market. The initial feeling in a predominantly corrupt society is that the producer refused to play ball with the regulatory agency. There may not be any opportunity to cleanse the image of the agency especially when one person scaled through certification after payment of bribe. Whenever secret transaction of this nature occurs, the story would be available informally since the beneficiaries may not want to stain their reputation publicly. This would appear to be the reason why people in this kind of society hardly pay attention to negative information on products.

CONCLUSION

Regulatory agencies must find a way of making investors serve the masses appropriately. The agencies must initiate approaches to attract investors to enable them to willingly comply with specified standards. Commercial pressure on the part of investors could lead them to compromise standards. However, where cordial relationship exists between the regulators and the agencies, malpractices may be nipped at the bud without causing harm to the public. Investment in training of investors would help to build their capacity and enhance their voluntary adoption of harmless and better production processes than waste of resources in seizure of substandard products, prosecution of culprits and chasing of suspects. Doing all these would stimulate sustainable growth in the economy and improve general standard of living in the society.

Therefore, regulatory agencies could:

- Identify and maintain record of all regulated products and the producers by encouraging every producer to register at no cost.
- Allocate number to all products that identify with regulatory agency while another kind of registration number may be allocated to products that meet the required minimum standard.
- Do regular listing of products and companies that comply with minimum standard in their official news bulletin and website.
- Make regular review of potential harmful ingredients used in production and organise periodic enlightenment programmes for the masses.
- Staff of regulatory agencies should be made to acquire functional knowledge of production process of regulated products by exposing them to mandatory three years field work in manufacturing concern. ●

★ **Mr. Nwadei Ifeanyi, a member of the Institute, is the Chairman at Nwadei Foundation based in Asaba, Delta State.**

COST MANAGEMENT AS EFFECTIVE TOOL FOR DECISION MAKING PROCESS

By **MOSES ADEBOYE**

1. INTRODUCTION

The fast technological innovation and other environment influences have indicated the need to focus on other financial and non-financial information. Based on these necessities, many notable organisations have introduced **Cost Management Technique** as a means of improving customer satisfaction and customer loyalty. This technique assists an organisation to improve product value at a reduced cost. The terminology defines Cost Management as *Application of management accounting concepts, methods of data collection, analysis and presentation in order to provide the information needed to plan, monitor and control costs.*

The concepts of operational efficiency and accomplishing customers' satisfaction are also termed as Cost Management. The extent to which an organisation is able to manage cost often contributes to achieving of competitive advantage. Cost managers assist organisation to achieve the goal of cost management through Cost reduction, customer's satisfaction and continuous improvement are part of the activities of cost management.

Cost management information is needed by managers to manage the organisation in an effective and efficient manner. Such information includes the extent of cost reduction accomplishment, product quality, productivity, firm's competitive position, customer satisfaction and customer retention.

Okoye 2011 defines cost as the value of economic resources used in the production of goods and services. Cost accounting like other management sciences has principles or concepts that guide the preparation of cost statement or information. Such rules though not statutory in nature are generally accepted and

applied in the preparation of cost information. The rules include:

- All cost should be charged to the functions, sections or products that cause them. For example, the salary of a production engineer should be charged to production department and not to marketing department
- No cost should be charged until it is incurred. For example, distribution costs should not be charged on products that are still in the store. It is only proper to charge such costs to the products when they have been transported to various warehouses or customers.

2. The Concepts of Operation Efficiency and Customer Satisfaction

The global recession and other problems created by low demand and keen competitive factors affecting production and service sectors serve as adverse factors that enable some firms to adopt new efficient production processes with an intention of focusing on customer satisfaction. The modern trend is such that unless a firm improves its efficiency of operation in terms of cost and quality there is the tendency that the concern organisation is likely to find it difficult in retaining its competitive position and strength. This means that organisation must always focus on customer.

In spite of the fact that just-in-time manufacturing system has drastically reduced costs, yet it is still considered necessary for an undertaking. Whether a manufacturing firm or a service organisation to find means of improving operational efficiency in order to retain current customers and attract new customers and to be assured of realising sufficient sales in future.

Thus the important consideration in relation to the concept of an operational efficiency and customer's satisfaction focuses on how managers and employees are able to transform inputs into outputs at the lowest costs and at an acceptable quality. This is because efficiency is described as the ratio of output to input (i.e. output ÷ input) or it can be expressed as the ability of a firm to increase customer value at the lowest possible cost.

The logic behind the forgoing reasons summarises that for a company to be categorised as effective and efficient the organisation's scarce resources should be utilised to improve customers; value or to satisfy customers' need at a minimum cost. In this regard, "time" is considered as one of the most crucial scarce resources that an organisation possesses in this cotemporary global environment. It is therefore essential that an efficient organisation generally minimises the time in receiving orders and delivery to customers. This obligation, if achieved, will definitely enable a firm to increase output at a reduced unit price. Thus, if all scarce resources are efficiently utilised, a firm can achieve the vision of strengthening business growth and improved efficiencies.

When dealing with the overall efficiency of an organisation, the important areas of consideration are:

(a) Product or service quality (b) Customers' response time (c) Cycle time (d) Manufacturing cycle efficiency (e) Productivity (f) Value added time (g) Customers' value (h) Customers satisfaction (i) Customers' loyalty.

3. Value Added Time and Non-Value Added Time

In a manufacturing or service operation, total time utilised comprises of **Value Added Time and Non-Value Added Time**. Cost associated with value-added time are termed as **value added costs** while those associated with non value added time are referred to as **non-value added Costs**. The aim is always to eliminate or reduce non-value added time in the operation concerned in order to be judged efficient. Note that time is only one of the variables to be considered in determining firm's operational efficiency.

4. Value Added Cost:

The value added cost is the *Cost of operation or activity that is associated with adding value to the product turned out by a firm*. This means cost derived by the customers consuming the product will reduce. Thus, if value added cost is eliminated in an operation, customer's satisfaction will be adversely affected.

5. Non-Value Added Cost:

Non-Value Added Cost is expressed as the cost or activity that can be eliminated when converting material to product without having adverse effect on the utility to be derived by the customer. Thus eliminating such an activity or cost will not necessarily reduce the value placed by the customer. Non-value added cost can be expressed as the cost of an operation incurred by the firm for which no value is added to the product performance.

Generally, manufacturing time comprises of the following:-

Processing time: The time it takes raw material to actually be converted to the finished product.

Inspection time: Time spent to inspect raw materials, work in progress, and finished goods in order to ensure with the norm

or specification.

Moving time: Time it takes to move products from one department to another.

Waiting time: Time it takes the completed intermediate product in one product to wait before the next production line commences further processing.

Storage time: The time that Raw Materials remains in storage before the are transferred to the processing unit, the time that the WIP remains before further processing, and the time it takes finished goods to remain in store before they are sold.

The addition of the above activities are generally referred to as **Throughput time/ Cycle time/ Manufacturing cycle time**. Among these five times only the processing time constitute "**value added time**". The remaining four times such as inspection time, moving time, waiting time and storage time are referred to as "**non-value added time**" or "**wasted time**".

Thus, based on the above, some of the non-value activities are:

- Waiting time for processing.
- Building of inventory.
- Production of defective products or services that requires rework cost.
- Excessive set up time.
- High lead-time in purchasing material.
- Delay in approving production order.

Manufacturing Cycle Time: MCT

Manufacturing cycle time is often referred to as **response time or cycle or cycle time**. It is described as the elapse of time that exist between the time a firm received an order from the customer and the time the production is complete and ready to be delivered or shipped to such customer. The terminology expresses as 'the time required to complete an operation on one unit'.

Thus:

$$\text{MCT} = \text{Wasted Time} + \text{Time Actually Utilised}$$

$$\text{Throughput time/} = \frac{\text{Value added time or processing time}}{(\text{Non-value added time or wasted time})}$$

Usually, customer prefer short cycle time, high product quality, and minimum production cost for the order placed. The cycle time include the time of processing rework items. A short cycle time improves both the organisations value and the customer satisfaction.

Average Cycle Time or Cycle Time per Unit of Output

This is described as the ratio of total processing time to the total units of accepted output: i.e.

$$\text{Average cycle time} = \frac{\text{Total Processing Time}}{\text{Total Units of Accepted Output}}$$

Throughput Efficiency

As mentioned earlier, an organisation must aim at minimising its cycle time in order to reduce cost. This can be accomplished through improving production processes. If we consider the total cycle time that comprises processing time and wasted time, it is obvious that only processing time actually adds value or increases productivity. Other activities such as inspection time, moving time, waiting time and storage time have no economic

justification. The true situation therefore, is that eliminating non-processing time improves the operational efficiency.

In order to identify the true operational efficiency, an organisation should always determine its Manufacturing Cycle Efficiency (MCE), which is defined as then ratio of processing time to the total cycle time.

$$\text{MCE Ratio} = \frac{\text{Processing time} \times 100}{\text{Processing time} \times \text{Non-Value added time}}$$

The optimum MCE ratio is 100% or 1. Thus, MCE ratio is noticed to be improving as it tends toward 1. The MCE ratio of an automated plant is generally found to be better than those of semi-automated and manual operations. An organisation should also aim at improving its production processes in order to reduce process time.

The MCE is also referred to as **throughput time ratio**. This is because processing time is known as value added time while the non-value added time is the non-processing. The sum of processing time and non-processing time is equal to the total processing time.

It implies that;

$$\left. \begin{array}{l} \text{MCE Ratio} \\ \text{Or Throughput} \\ \text{Time Ratio} \end{array} \right\} = \frac{\text{Value-Added Time}}{\text{Total Processing Time}}$$

6. Customer – Response Time or Delivery Cycle Time

This is the time elapsed between the point that the customers order is received and when the product is manufactured and delivered to such customer. Management should always emphasise achieving “**One – Time delivery**” which is referred to as the manufacturing and delivering of product to customer in accordance with the time specified for the order to be delivered to him. Achieving one – time delivery assists generally to improve business reputation where total quality management is applicable.

In addition to the One – time delivery, managers should try as much as possible to use their innovative capability to improve product quality and to equally reduce cost in order to achieve a superior responsiveness.

7. Customer Satisfaction

One of the importance of an organisation working process is to turnout product that satisfy customers’ needs. The fact remains that customers are always dissatisfied with the output that falls below specification. The other important area of consideration is that many customers cherish the ability of a firm to attain the role of a **Cost Leadership**. This is described as the capability of a firm to turn out output at a relatively lower cost for a specified quality when compared with what the rival firm can offer. A cost leadership firm has attributes of continuous improvements on efficiency of production and elimination of production losses such as waste, spoilage, scrape and detective works.

Thus, based on the forgoing, **customer satisfaction is the extent to which an organisation’s products and services satisfy the customers’ specifications and other attributes**

such as reliability, durability, and prompt delivery service as demanded by the customers. Failure to satisfy these attributes often result in customers’ reducing the importance and values placed on the affected products and services. The company’s unit prices, volume of sales and profitability. Customer’s satisfaction leads to the improvement of both current and future organisation performance. This is because a satisfied customer will be ready to keep buying from the firm and spread the good news of company’s efficiency to outsiders. Such customers will also be interested in buying the company’s new products from time to time.

The other attributes that determine the extent to which a customer satisfactions are:

- The firm offers prompt service to customer.
- Both employees and employers are competent and committed to work.
- The firm uses efficient production facilities and form a habit of not charging inefficient costs to customer.

The need to achieve customer satisfaction has become an important focus in both manufacturing and service oriented organisations, many firms nowadays use different means to obtain customer’s comment about satisfaction derived from consuming their products while suggestion boxes are placed in strategic places for customers comment for instance, First Bank notified their customers through the notice board in each of the branches that “if you are dissatisfied with their services rendered to you or think we can do better please send an SMS to the Chief Executive Officer Office on [SMS cost at our expense]. We shall respond within 24 hours and your confidentiality is assured.”

8. Customers’ Loyalty

Customers’ loyalty are the extent to which the existing customers continue to patronise a particular firm in procuring its customers’ goods and services. Thus a satisfied customer appears to be loyal to the firm by trying to contribute patronising the firm’s products and services. A loyal customer also introduces the firm’s product and services to other customers. This characteristic enables the firm concerned to be assured of securing adequate sales for present and future operations.

Considering the foregoing brief explanation, customer loyalty could be measured or determined by customer retention, which is defined as the percentage of the existing customers that will be retained in purchasing the specified products in the next period. The higher the customer retention the higher the firm’s anticipated or future sale success.

9. Productivity

Productivity is the ratio of output. It measures the relationship that exists between the actual input and actual output. Productivity measurement can take either the form of per unit or the form of per naira or dollar. The per unit measurement is referred to as operational productivity which is the ratio of output in units to input in units while per naira or per dollar measurement is referred to as financial productivity. This is the ratio output in naira to input in naira.

10. Partial Productivity Measures

The productivity measures establishes the relationship between the output and part of the total input is referred to as

“**partial productivity measures**”. This is expressed as the ratio of units of output to part of the total in units or expressed as the ratio of value of output to cost of part of the total input: i.e.

$$\text{Partial Productivity} = \frac{\text{Units of Output}}{\text{Part of the Total Input in Units}}$$

or

$$\text{Partial Productivity} = \frac{\text{Value of Output}}{\text{Cost of Part of the Total Input}}$$

The examples of this type of productivity measure are:

- **Direct Material Productivity or Direct Material Yield =**

$$\frac{\text{Output in Units}}{\text{Direct Material Inputs in Units}}$$

- **Labour Productivity =** $\frac{\text{Output Achieved}}{\text{Labour Hours in Units}}$

Performance interpretation:- The higher the ratio, the higher is the concerned partial productivity achieved.

11. Total Productivity Measures

Total productivity measures the relationship between the output and total input utilised. It is expressed below as:

Total Productivity = Unit of Output Units of Total Input	Or,	Total Productivity = Value of Output Total Cost of all Inputs Utilised
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Performance interpretation: The higher the ratio, the higher is the total productivity achieved by the firm.

12. Productivity and innovation

Productivity as defined above is the ratio of output in input. The higher the ratio the higher the productivity. The nature of technology adopted in manufacturing is a strong parameter that determines the degree of productivity. This is because new technology of higher-grade lower cost as compared to the old and existing technologies used for production. The components of cost reduction established by new technology are:

- Reduction in the quantity of resources utilised for a given output;
- Product quality increase in spite of the reduction in the resources utilised;
- Reduction or minimisation of wastages;
- Reduction in time utilised in producing certain output; and
- Ability to turn out far greater numbers of units per hour.

Since reduction in the resources inputs leads to an increase in productivity, it implies therefore that technological innovation is a catalyst of productivity improvement.

13. Productivity in the Service Industry

Just as in the manufacturing undertakings, the need for measuring productivity in the service industry is equally

increasing because of the increasing keen competition and service innovations that are observed in the recent times. Nevertheless, the service sector is characterised with intangibility, inseparability, heterogeneity, and demand fluctuation. In spite of these characteristics, it is essential for a service firm to clearly identify its categories of output and the input resources together with the activities needed.

Even though in the past most service organisations measure only financial productivity, the recent happenings had forced some organisation to include non-financial productivity like quality, employee skill, employee training effect, customer satisfaction and customer loyalty. The need for regular improvement of capital base in the service industry such as banks and insurance companies have made some of the undertakings to regularly introduce new valuable products to customers for the purpose of continuously improving their profit

14. Employees Focus

The contemporary organisation is mandated to satisfy customer in terms of quality and cost in spite of the increasing intense business competition and the need to embark on continuous improvement. This necessitates the importance of employees in an organisation.

The ability to satisfy customers depends on the production processes installed and the competent managers and other staff engaged. Employees should possess adequate skill and experience and should acquire sufficient educational background.

Organisations need to introduce proper manpower planning in its budget preparation. In order to accomplish continuous improvement and meet future challenges, management should introduce effective training programmes that will provide employees with the required skill.

Most of the well trained employees have the following attributes:

- Commit fewer mistakes in executing tasks.
- Produce high quality output.
- They are more productive than other employees.
- Enables a firm to achieve low unit cost because of the increasing high productivity.

15. The Value Chain Theory

The value analysis explains the firm and the customers’ perspective about the value of a product. It is a means of creating high value for customers in a way that leads to profit maximisation for the firm. In particular, customer compares satisfaction derived from consuming a product with the price paid in exchange for the product. Thus, in value chain analysis, value is added to input in a way that customer cherished and to eventually improve the firm’s profit. It enables a firm to improve its competitiveness strength.

The situation in this present global competitive environment with a low demand occasionally acting as one of the major limiting factors demands that companies needs to consider the importance of value in its strategic plan, right from research and development stage up to the stage that customers’ service is rendered in order to guarantee future business existence. For this reason, while a firm is proposing to introduce a new product or trying to improve its product quality, emphasis should be focused on **VALUE CHAIN**.

The concept explains the linkages that occur in each process of transforming the input into output in terms of means of improving customers satisfaction, which is the value placed on the item purchased and consumed. Thus, the output obtained through the established linkages of activities in transformation process is termed as **"Value Created."**

With the assistance of Value Chain, the firm will be able to determine:

- The type of product demanded.
- The price that customer is ready to offer.
- The quality and cost of resources input to use.
- The appropriate technology and production processed to adopt.

According to Michael Porter's generic value chain model of 2007 identified a sequence primary and support activities that can be used to create a positive difference between the customer value and the cost of the activities identified. The model is useful to determine the cost advantage and product differentiation created by a firm.

The primary value chain activities as identified by port comprises Inbound Logistics, Operations, Outbound Logistics, Marketing and Sales and Service.

- The Inbound Logistic are concerned with how raw materials are acquired, warehoused and their distribution to manufacturing where needed.
- Operations are concerned with the processes of transforming inputs into finished goods.
- Outbound Logistics deals with the warehousing and distribution of finished goods.
- Marketing and sales are concerned with the identification of customer needs and sales realisation through distribution channel and promotions.
- Services: This is concerned with the support of customers after selling the products and services to them.

According to Porter, the above primary activities are supported by:

- (a) **The Firm's Infrastructure:** This is made up of organisation structure, staff function, company culture and control systems.
- (b) **Human Resources Development:** Employee recruiting, training, development compensation and retrenchment.
- (c) **Technology Development:** It is concerned with the technologies that support value-creating activities.
- (d) **Procurement:** This deals with purchasing of physical resources like materials, supplies and equipments.

As mentioned earlier, the manner in which the activities above are performed determines the extent to which the customer's willingness to pay for the products and services exceeds the cost of the activities in the value chain which eventually determines the firm's margin.

16. Activity-Based Costing

Generally, overhead cost is the addition of all direct and indirect costs. A more simplified way of defining it is to say that overhead is the cost that is incurred for the benefit of more than one cost center. The major problem encountered is how to identify the portion of overhead to charge or absorb by each of the beneficial

products. In traditional costing technique, overhead is absorbed to different products through the use of a single base, which may be from any of the following: Units of production; machine hours, direct material cost; direct labour cost and prime cost.

The traditional overhead absorption was designed when companies manufactured small numbers of products and where direct labour cost plays an important role in the determination of factory cost. This type of discharging overheads to production was found reliable in the past because of the simple production processes adopted.

However, with the technological advancement that uses an Advanced Manufacturing Technology (AMT) and a more complex method of production, it is observed that traditional method of absorbing overheads into different products sometimes gives inaccurate results. One reason for this is that large numbers of activities are required for operating the advanced manufacturing technologies. Similarly, very high proportion of total cost of a product in an AMT environment involves fixed overheads. This shows that little significance is now given to labour cost, while material and energy cost of running machines constitute most of the variable costs.

Another interesting point is the fact that the competitive market situation demands for the correct ascertainment of product cost in order to facilitate identification of production efficiency. However, experience has shown that in large complex operations that are divided into departments, it is necessary that a more sophisticated method should be encountered by the traditional method of overhead rates. This is mainly owing to the problems encountered by the traditional method of overhead absorption rate that makes use of a single base. Thus, its use gives an ill-defined product cost. Based on the foregoing limitation of the traditional method of absorbing overheads, Cooper, Johnson and Kaplan in the USA have advocated for a better approach that is termed as *Activity Based Costing (ABC)* which applies a more appropriate overhead absorption rates to product cost and achieve easy traceability of costs. It establishes efficient means of resources utilisation. **This costing approach is also termed as transaction based costing.**

Under this new approach, in ascertaining an absorption rate for each product, the importance or the magnitude of each of the activities identified in the production processes is taken into consideration. The most detailed work of ABC is found in Johnson and Kaplan book entitled *"The Relevance Loss"*. Part of the criticism put forward in their presentation against the traditional costing are:

- Owing to the stock valuation requirement: Only production overhead is absorbed into product cost while administration and selling overhead are excluded.
- Labour hour or occasionally labour cost is sued as a convenient overhead recovery base. However, direct labour is not a substantial portion of total cost in most of the contemporary manufacturing undertaking.
- Blanket overhead rate, which relates to a single calculation of overhead rate for all products, is not appropriate in decision related problems as against the stock valuation in the financial reporting

Because of the limitations listed above, the advocates for activity based costing suggest that instead of applying overhead

to production in a single stage through the use of traditional absorption base, the better way to solving the highly automated firm with multiple products is to use activity-based costing that favours a two-stage procedure of discharging overhead cost of procedure of charging overhead costs of products.

Definitions

- **Activity-Based Costing (ABC):** Approaches to the costing and monitoring activities which involves tracing resources consumption and costing final output. Resources are assigned to activities, and to cost objects based on consumption estimates. The latter utilise cost diverse to attach activity to output (Terminology).
- **Activity-Based Costing (ABC)** is a costing approach that focuses on how costs or resources utilised are traced to activities, and activities that cause them to incur and then to products and services which are based on the activities utilisation.
- **Activity-Based Costing (ABC)** is a two-stage costing process use in charging overhead costs to products or services being rendered. The first stage identifies cost drivers and resources that are supplied to the cost drivers while second stage charged cost to the firm products.
- **Activity-Based Costing (ABC)** is an approach that traces overhead costs to various activities performed by an entity and the procedures adopted in charging the traced overhead to the products turned out or services rendered by the entity through using of the identified activities as the base for charging the overhead to throughput.

Activity is a discreet unit of work that tries to define the relationship that exists between the resources utilised and different products manufactured by an organisation.

The important consideration of ABC is to identify the factors that cause or drive costs which is referred to as **Cost Drivers**.

The terminology defines cost drivers as any factor that causes a change in the cost of an activity, e.g. the quality of parts received by an activity or a determining factor in the work required by that activity and therefore affects the resources required. An activity may have multiple cost drivers associated with it.

In a more simplified version, cost driver can be defined as a factor or activity that causes cost to be incurred.

Examples of cost drivers are:

- Number of machine set-up;
- Number of inspection orders;
- Number of purchase orders placed;
- Number of production scheduling;
- Number of machine hours;
- Number of units scrapped;
- Number of engineering hours;
- Number of material handling;
- Number of rework items.

17. Classification of Resources through Activities Identified

When a firm adopts an ABC approach for charging overhead to product costs, the first consideration is to classify resources utilised and activities into five categories as suggested by Cooper (1990) for the purpose of ascertaining how an organisation

execute task and how it is able to trace resources used through the activities carried out by the firm in determining the product cost. The five categories include:

- **Unit Level Costs:** These are resources that are acquired and consumed purposely for the units of product or service turned out. They are consumed in proportion to the plant processing time. Such resources include materials, components, energy cost and expenses. The cost drivers for this category include quantity of materials utilised machine hours. Labour hours and number of parts.
- **Batch-Related Cost:** These resources are acquired purposely in producing a batch of similar items. The costs of resources acquired for this category are directly related to batches produced but fixed for all the units produced in the batch. The resources falling under this category include purchases order processed, and machines set up. Thus, by relying on the former statement, the higher the numbers of batches turned out, the resources to consume.
- **Product Sustaining or Service Sustaining Costs:** These resources are required purposely for producing a specific product. The resources incurred under this category include design costs, and engineering costs incurred purposely to alter product designs.
- **Customer Sustaining Costs:** these resources are incurred to specifically satisfy customer's needs. The cost of these resources are directly related to customer order and indirectly related to product and batch produced
- **Facility-Sustaining Cost:** These resources are acquired and consumed to support the facility used by the organisation and are common to all the products turned out in a plant. These resources are categorised as irrelevant for most of the decision taken. For this reason, the resources incurred under this category are not charged to products turned out by the plant. Examples of such costs are general administration costs, and land and building.

18. Determination of Overhead Rates Through Two-Stage Activity Based Costing Process

After an organisation has classified resources utilised and activities into five categories the next step is to describe the stages of ABC. In this regard, the definition of ABC provided the procedures for its implementation, which is concerned with how overheads are charged to products through two stages such as:

- **Stage One** is concerned with grouping of overheads into pools according to the activities that drive them.
- **Stage Two** involves determination of how much of each cost driver should be charges to product line.

19. Activity Based Management (AMB) or Activity-Based Cost Management (ABCM)

Activity-Based Management,(ABM) which is also referred to as activity-based cost management (ABCM) attempts to evaluate the various costs that are associated with process activities for the purpose of identifying opportunities for improving efficiency. In order to make the goal of ABM a reality, management tries to identify value added and non-value added activities while the non-value added are eliminated through the assistance of process

redesign.

The steps summarised for realising the goals of ABM are:

- Identification of important activities in the organisation's operations.
- Categorise activities into value-added and non value-added.
- Redesign the production processes in order to eliminate the non-added activities and to ensure activities with high costs are reduced.

ABC focuses on how to accomplish customer satisfaction in terms of value-added. The main task of redesigning production processes is to simply improve efficiency that leads to cost reduction and high customer value. In particular, the redesign operation reduces time required for completing a given task. Thus, from the foregoing, in ensuring that an effective cost reduction is established, management tries to eliminate operations that prove to be inefficient. The activities that are efficient are those that add value to operations while those that add no value. ABM combines activities based costing approach with value added activities, it accomplishes continuous improvement. The re-design process gives long-term benefits to the organisation.

20. Business Process Re-Engineering (BPR)

The situation in this contemporary world is such that some leading companies are focusing on how to greatly improve business efficiency because of an intense competition, reduction in the life cycle of some notable products, and other environmental charges.

Hammer and Champy (1993) suggested the need for companies to focus on business process Re-engineering, which aims at improving customer value. The definition provided by Hammer and Champy is as stated here:

Re-engineering is the fundamental to re-thinking and radical redesign of business processes to achieve dramatic improvements in critical contemporary measures of performance such as cost, quality service, and speed.

Business Process Re-engineering is also known as business transportation, business process redesign, or process change management. It tries to completely disregard the existing system that fails to focus on customer satisfaction and introduces drastic changes to business process through rethinking, thus, in order to improve the company's positing or to achieve competitive advantage, it is essential that management improves its process efficiency by introducing drastic changes that will improve customers' value. According to Hammer and Champy, BPR is expected to improve the efficiency of the entire business processes in the areas of ordering, buying, manufacturing, product development, delivery and invoicing. This type of re-thinking effort is also very much valuable in the service sector. For instance, in order to attract large deposit and other customer patronage, banking business improves the efficiency of services rendered to customers through introducing new products that customers cherished like on-line banking system, SMS alert, and end of the month bank balance; e.g. First Bank.

Professor Hammer emphasised that in achieving the success of BPR, managers should focus on the major challenges by trying to obliterate non-value added task, rather than relying on the use

of technology for automation.

In carrying out BPR, management first uses benchmarking to assess its present position and tries to focus towards the future as regard to what the customer are actually looking for in terms of quality and cost; what should be the product life cycle of any new product to introduce; what type of materials will be used to manufacture; where can the firm get adequate supply of the materials needed at the right quantity, right quality, and at the right time; what type of production processes should be designed; and what should be the distribution channel.

Thus, if a firm intends to introduce radical change to its system because of the lapses in the existing system. The implementations of BPR will involve the following steps:

- Identify the position of the firm of the industry through benchmarking.
- Identify the future requirements of the organisation.
- Assess the environment – the competitors' position, anticipated changes in technology and organisation structure, human resources and inputs needed to successfully implement the change.
- Redesign the business processes and other activities that will meet the needs of the above.
- Execute the redesigned processes.
- Monitor the implementation success or failure of the design and take corrective measures.

The re-engineering approach that is accomplished through re-thinking effort results to a number of significant changes in the areas of how work is performed, employee behaviour, and organisational structure.

Possible examples of the changes are:

- (a) Different jobs and tasks are combined with the related jobs and tasks.
- (b) The steps that are adopted in a process cannot be pre-determined as observed in the case of traditional approach but rather depends on the requirements of the next process.
- (c) Subordinates should be more concerned with decision-making process rather than always depend on the superior's instructions. This means that team work is more favoured.
- (d) Work is performed where it is highly efficient, meaning that normal boundaries and demarcations are not applicable.
- (e) Hybrid centralised/decentralised operations are noticeable.
- (f) Emphasis is more on acquiring adequate educational background which enables the employees to understand any process rather than emphasising more on training.
- (g) Performance measure is attached to the value placed by the customer.
- (h) Workers are interested and possess ability to be given higher responsibility.

Thus, from the above, it is evident that BPR focuses more on business transformation rather than depending on the present inefficient system. It achieves this by focusing on four major changes as organisation, human resources, technology, and strategy. The organisation is concerned with the structural design like levels of hierarchy, divisionalisation, and work distribution.

The human resources are concerned with training, education, motivation and reward systems. The technology deals with the entire business information technology; finally, the strategy focuses on the primary drivers of BPR initiatives.

Although, there are different types of business approaches to process redesign, it is argued that BPR is more concerned with radical change of re-transforming processes into an efficient way that enables customers to place higher value to product purchased than the price paid. Activity based management, ABM which is another business approach to process redesign achieve its objective through continuous improvement while Quality Function Deployment (QFD) attempts to focus on quality improvement and business process re-engineering. This latter approach to process redesign relates functions back to customer needs.

In spite of the above distinctions that are noticed, BPR and other business approaches Johanson *et al* (1993) is still of the view that Business process engineering, although a close relative, seeks radical rather than merely continuous improvement. It escalates the efforts of JIT and TQM to make process orientation a strategy tool and a core competence of the organisation. BPR concentrates on core business processes, and uses the specific techniques within the JIT and TQM "tool boxes" as enablers, while broadening the process vision."

Considering the above presentation, there is no doubt they assists an organisation to substantially improve its returns provided it is properly executed.

Just-in-Time Manufacturing and Purchasing Systems (JIT)

The problems emanating from keen competitions, inflationary environment that reduce purchasing power of consumers, changes in government policies of the importing nations and the increasing cost of materials input simply because of scarcity pave the way of JIT application.

The Just-in-Time production and purchasing has introduced a radical change in the production processes in such a way that demand triggers each step of the production processes as a result of the customer requesting for a particular finished product (i.e. Pull-it-Through control or demands pull approach) as against the Push-it-Through control of using Economic Order Quantity (EOQ) model. One of the major hindrances that have been identified with EOQ model is that materials are ordered from the supplier without taking into consideration number of units needed for the next batch of manufacturing operation. This is a clear indication of incurring an avoidable cost on the inventory carrying cost. With JIT production system, materials are only ordered through just-in-time purchasing procedure from reliable suppliers when production system is to be executed. Goods produced in the factory are delivered immediately to the customers. This results in avoiding building a warehouse.

The implications of ordering materials when needed are:

- Inventory carrying cost will be nil or almost nil.
- Inventory ordering cost is highly reduced because of the elimination of certain procedures that involve cost.
- Whenever production facilities are idle, there exists either zero inventory level or an inventory level that is nearest to zero level.

For instance, under the push-it-through control system of using EOQ model, the investment in material on an annual basis comprises:

Purchasing cost + Ordering cost + Carrying cost (1)

Thus, the application of JIT to the manufacturing operation gives a firm an edge of possessing competitive advantage of cost saving and prompt delivery over its major competitors. The system aims at eliminating wastes that are categorised as non value-added activities. This means that under the JIT system cycle time is considerable reduced.

In line with the argument above, May (1995) views that many organisations embraced total quality management and just-in-time philosophies to improve their organisational effectiveness in order to survive owing to world recession and public sector revitalisation. The Engler (1993) observes that in order to eliminate non-value-added costs, a firm's production process must be restructured in keep a product flowing continuously.

However, Promrose (1988) assessed JIT production in two directions by stating that although, inventory reduction is portrayed as being a good thing, project aiming at reducing stock may also reduce the ability to respond to fluctuations in customer order intake. This latter argument seems to be much valuable to an economy that is affected by scarcity of inventory and where suppliers are not reliable. This shows that EOQ model is still very much valuable in certain circumstances.

Just-in-Time Purchasing

Under the JIT purchasing as described above, materials are procured strictly in line with the production requirement. Materials purchased from suppliers are forwarded directly to the production floor. The application of JIT demands that:

- Suppliers must be highly competent and reliable.
- Materials prices must be stable and should not be subjected to price increase in the short run. This simply implies that, the firm must establish a long term agreement with its suppliers and the number of suppliers should be few indeed.
- Ordering costs are highly reduced.
- Inventory carrying costs will be nil or almost nil.

21. Just-in-Time Manufacturing

Under the JIT manufacturing, production is based purely on the exact quantity demanded by customers. This implies that demand triggers each step of the production processes. The system uses multiple small machines in order to be cost efficient. It tries as much as possible to eliminate non-value added activities such as **inspection time, moving time, waiting time and storage time. The system therefore tries to ensure that processing time spent** that actually adds value to the product turned out is equal or almost equal to the cycle time. The system also tries to favour continuous improvement in such a manner to achieve Total Quality Management philosophy.

22. Conditions Needed to Fulfill JIT Success

If we agree that under the JIT production system, suppliers must be reliable and finished goods produced must be delivered immediately to customers, then it is logical and reasonable to

ensure government support to the industry. In that case, there should be favourable factors of production such that:

- Government policies do not change frequently, and if a change is necessary, it must be in favour of the supplier, producers, and final consumer.
- Prices of materials and labour rates must be agreed upon for a long duration of time in order to satisfy customers budget proposal.
- There should be an uninterrupted power supply.
- There should be effective and efficient transport systems in the country.
- There should be government support in ensuring a smooth execution of the system.
- Labour unrest resulting in strike and lockout should be put to rest.
- There should be security for all the export items and delay in export arrangement should be discouraged.
- The system of operation must to efficient and high product quality should be given priority.
- Workers are to contribute their quota in the improvement of production process and quality.
- Workers should be highly motivated and there should equally be an assurance of job security.
- Labour turnover should be low and reasonable.
- Group effort is important.

Attributes of JIT

JIT is associated with the following attributes:

- The use of multiple small machines as against using efficient expensive machines that need to be continuously utilised for large scale production in order to be cost efficient.
- Assurance of regular production pattern because of the associated adequate demand.
- Uninterrupted production flows.
- Reduction in set-up because of regular production of small batches that are fully completed on an daily basis.
- Management of quality and time.
- Work performed is standardised.
- Reduction of inventory because of stocks procurement are based on demand. This means that there is no need to incur heavy cost in storing inventories.
- Control is performed at each level of production through employees engaged.
- Eliminating wastages such as waiting time waste, inventory waste, waste from evaporation, waste from product defects, and processing waste.
- The system adopts continuous improvement technique and each worker is accountable for the quality of output achieved by him or her.
- Ensure the operation system is simple to understand.
- Assurance of high employee commitment in any given task.

21. Benefits of Operating JIT

- (a) Reduced inventory opportunity cost;
- (b) Reduced inventory carrying or Holding cost;
- (c) Commitment to Quality;

- (d) Increased flexibility in meeting customer needs;
- (e) Flexible manufacturing capacity;
- (f) Reducing of customer response time;
- (g) Decrease in defects;
- (h) Reduced set up time;
- (i) Reduced lead time;
- (j) Improve customer satisfaction;
- (k) Increase in productivity;
- (l) Reduction in factory space;
- (m) Constant machine maintenance;
- (n) Reduced processing time;
- (o) Avoidance of costly down time;
- (p) Reliable suppliers.

Drawbacks of Operating JIT

In spite of the numerous benefits of JIT production, it nevertheless has its own problems. The major drawbacks are:

- If there is a delay in supplying materials, production line may be shut down because of zero level stock maintained.
- The use of flexible manufacturing and robotic system that replace human effort in production can result in a great unemployment problem and can also reduce the learning experience on a given task if manual operation is removed.

22. Costs of Operating JIT Production

- a. Increased prevention cost.
- b. Increased machine maintenance cost.
- c. Increased inspection cost.
- d. High investment cost.
- e. Increased tooling and set up cost.

23. Reasons of Unpopularity of JIT Application in Developing Nation

The hindrance that account for unpopularity of using JIT Manufacturing System in Nigeria are:

- There is no government commitment to its effective implementation.
- Frequent changes in government policies affects budgets of companies operating in Nigeria.
- Frequent change in cost of input and prices of finished goods because of regular increase in energy cost and general wages increase that are introduced by the government.
- Deplorable condition of infrastructure and transporting systems.
- Increasing rate of unemployment is a major barrier.
- Low foreign demand for the locally produced items is the major hindrance to adopting a robotic manufacturing system.
- Scarcity of raw materials is an adverse factor towards maintaining a zero stock level.
- The financial sector is still not capable of giving regular and adequate credit facility for the operation of JIT production system.
- Many suppliers are not reliable because of inability of giving credit facility and insufficient financial power to stock adequate inventories.
- Imposition of multiple taxes and levies.

- Regular devolution of Naira affects cost of imported raw materials, plants and machineries and other imported items.
- Inability to manufacture production facilities including the robotic system locally.
- Uneasy access to cost effective funding apart from sources from share issue.

24. Kaizen Costing

The contemporary requirements to produce quality product at a minimum cost has made it mandatory for firms to introduce continuous product improvement that does not require significant cost spending. This obligation is better met through the application of Kaizen Costing, which has its root from Japan.

The technique aims at introducing cost reduction by gradually and continuously improving the manufacturing operations with significant incremental costs rather than applying target costing that emphasises on cost reduction right from the design stage of product development through the information obtained by market researchers. By comparing the two techniques of cost management system, Kaizen costing is associated with gradual and continuous improvement that requires small incremental costs while Target costing is applied at the research and development phase of product design which requires heavy investment.

The key success of Kaizen Costing is the involvement of employees in contributing to the cost and quality improvement during the production phase. The system is such that each group is given responsibility of improving costs and quality that is applicable in its unit during manufacturing operation. The reality of this costing technique is that each worker is expected to use his leisure hours judiciously by thinking about how to improve organisation performance through his main task. For this costing technique to achieve its main objective, it is important that:

- There should be full employee loyalty to the organisation.
- There should be adequate welfare package for the employees.
- There should be jobs.

25. Life Cycle Costing (Terotechnology)

In the past, both marketing managers and management accountants attached an important consideration to life cycle of a product that sometimes extends to 20 to 30 years and covers from introductory stage to declining stage when the product is finally phased out from the market. However, the situation in the contemporary world is such that the most prominent hindrance facing organisations nowadays is the fact that life cycles of many new products are fast declining simply because of their associated rapid technological changes, keen competition, changes in customer taste and imitators or copycat version. Today, Life Cycle Costing (LC) is widely applicable to new product development, project evaluation, and equipment procurement and maintenance. It is used to determine the entire cost to be incurred on an product or project right from the planning, research and development stages up to when customer service is withdrawn.

The situation therefore is that unless there is an assurance that the entire product costs to incur up to when customer service is withdrawn can be fully recovered before imitators bring out their

identical or similar products, it will not be worthwhile to invest in the proposed product. Examples of product with short life cycle include computer software. Electronics and automobiles. In view of this development, it is important to first applying life cycle costing to a proposed product to be manufactured before deciding whether to carry out research and development effort.

Definition

LCC is the total discounted amount incurred in a product/project right from the inception up to when the customer service is withdrawn. It controls the initial and future costs of a project/product.

Thus, a life cycle cost approach takes explicit account of the life cycle of assets. Because of the nature of problems currently affecting new products, it is often suggested to determine the product life cycle cost that cover from research and development stage up to the point when the customer service is withdrawn. This technique enables a firm to:

- Obtain useful details for target price of a product;
- Embark on cost savings by creating cost awareness which prevents cost center manager to spend beyond the planned costs; and
- Avoided operational and product failure.

Generally, stages associated with product life cycle costs include: Research and development cost; Design costs. Life cycle costing is often referred to as "Cradle to Grave Analysis" or "Womb-to-Womb".

Life cycle cost analysis informs management as to whether the entire cost to be incurred on a product or on a project can be recovered at the appropriate time. The project would be undertaken if the investment cost can be fully recovered and substantial profit realisation is possible. Whereas, the project planning and development would be dropped where investment cost cannot be recovered. This means the project is not worthwhile.

Definition

Target costing is the process whereby new products are to be designed in accordance with the unit prices that the expected potential customers can offer.

According to the CIMA official terminology (2005), 'A Target cost is a product cost estimate derived by subtracting a desired profit margin from a competitive market price'.

The important aspect of Target costing definition is the ability of the managerial personnel to embark on cost reduction in such a manner that can achieve the firm's target profit.

26. Steps Involved in Target Costing

The steps involved in Target costing are outlined below:

Organisation first identifies that demand for its product reduced drastically due to organisation economic factors:

- The sales department through sales representatives embarks on a market search to ascertain how much the customers are ready to pay for a product.
- The sales department equally finds out what is likely to be the average demand for the product.
- Cost and management accountants determine target competitive price.
- Computation of target desired profit.

- Derivation of target cost from items (3) and (4).
- If the anticipated total sales is substantial, value engineering is applied to identify the manner in which product cost can be reduced. **Value Engineering** is described as *the activity which helps to design products which meet customer needs at the lowest cost while assuring the required standard quality and reliability.*
- The engineering unit tries to liaise with other relevant departments for the purpose of ensuring that production cost does not exceed target cost. Thereafter production facilities and production processes are designed in line with cost reduction objectives.
- The firm introduces continuous improvement techniques to further reduce cost.
- Similarly, the firm searches for low price materials that can achieve the anticipated goal.
- The firm finally reassess the anticipated production cost in order to ensure that it does not go beyond the target cost.

From the foregoing:

- Target sales price is an estimated market-driven price of the proposed product that is acceptable to the potential customers.
- Target cost relates to the anticipated cost of the product to be sold.
- Target profit is the difference between the target sales price and the target cost.

When embarking on target costing, management should be informed that reduction in unit price is not an excuse for bringing out low quality product. The interpretation of **in accordance with the unit prices that the expected potential customers can offer**, as indicated in the definition of target costing is very important. It signifies that the consideration to be enjoyed by the potential buyer should be adequate. The value placed on the product sold at a target price is measured in terms of quality of the proposed product.

The success of Target costing is as result of cost reduction introduced to the entire production process right from the stage of designing the production facilities and production processes up to the packing stage owing to the fact that target sales price gives better customer satisfaction. Actual performance usually supersedes the target sales volume. For instance, the observation for the market demand on world receiver and other electronic items produced through cost reduction programme attracts favourable performance than what the firm originally planned.

27. Benefits of Target Costing

CIMA NHS Working Group summarises the benefits of Target costing to include:

- Improves the understanding of the costs of products and services, where issues are identified early in the service development process at a point where action can be taken.
- Brings a focus on the final users of the service or product.
- Is multidisciplinary and involves staff from all areas in the cost analysis and encourages them to take responsibility for managing the costs.

- Provides a framework which encourages a focus on the wider supply chain, in effect a whole systems approach can be used by service organisations to look at the impact which new services have on the existing ones.
- Develop specific and real targets which ensure satisfactory financial performance.
- Highlights other problems in areas such as purchasing which affect cost of the product or service.

The group identified that, to secure such benefits may require a fundamental rethink on how organisations are managed and a commitment and readiness to institute change. Surmountable, but significant challenges to this, could include organisational structures, the way people are rewarded and incentive, and unwillingness to try new approaches at the highest level, not identifying the skills required in the workforce to enable change of this type and magnitude, and a lack of champions who can spell out what is required and expected, and lead people to work in new ways.

The group in the same research work identified the advantages of target costing and the key characteristics of successful target costing as respectively listed below.

28. Advantages of Target Costing

- To reduce costs before they are looked in.
- To control designee specifications and production techniques.
- As an analysis which highlights other problems.
- As a driver for cost improvement.
- To encourage a focus on the customer.

29. Key Characteristics of Successful Target Costing

- Focus on the customer.
- Emphasis on cost reduction at early stages in product development.
- Consideration of the whole product life-cycle.
- A multidisciplinary process which covers: finance, planning and distribution, purchasing. engineering and manufacturing.
- Team members understand their role and how it impacts cost.
- Involvement of the whole value/supply chain.
- An iterative process.
- Specific and real targets for improvement.

Target costing is no doubt a cost management concept. It is designed to take care of cost planning, cost control, and cost reduction. Thus, the major objective of target costing is to ensure that during the design phase, emphasis should be considerably placed on how to minimise cost.

30. Customer Profitability Analysis (CPA)

The contemporary marketing environment demands that managers must continuously be searching for means of reducing costs and improving revenues. It is just not sufficient to base the company's performance on the yearly profit earned or to assess each product performance. The marketing environment has clearly identified that it is essentially important to equally find out the relationship that exists between the cost of servicing a customer and the revenue generated from servicing such

customer. To improve business profitability, companies from time, should determine:

- The number of prospective customers that patronise the company's products.
- The annual demand for each product and the production capacity.
- The expenditure incurred in servicing customers on a periodic basis.
- The number of time that each customer placed an order in a given period.

For technique of assessing the costs of servicing each customer and revenues generated from such service for the purpose of identifying valuable customers is achieved through the employment of customer profitability analysis (CPA).

The analysis of the revenue streams and service cost associated with the specific customers or customer groups.

Thus, CPA is of the view that all relevant costs relating to trading with any customer are to be taken into account and to equally compare such costs with the revenues earned from the same customer. This is considered significant because, gross and net margins are not accurate measures of profitability.

Based on the above, CPA identifies costs of serving customers and the ranking of customers in a descending order of profitability attributed to the firm. This is because customers that provide greater profit to the firm should equally receive greater benefits from the same firm.

One of the major aims of CPA is to improve relationship that exists between the customer and the firm. The true situation is that overpricing products discourages profitable customers, while it is logically wrong to under price products for unprofitable customers in view of the preceding explanations, CPA aims at attracting profitable customers for the purpose of improving customer retention.

Normally, different factors account for some customers to be more profitable than others. For instance, customers that order frequently in small quantities, need special product design and special packing, and require other attributes that are often noticed to be less profitable than customers that require less customer service because of ordering in large quantities at any particular given time. Thus, it is considered necessary for managers to categorise customers according to the degree of profit generation for the business. This will assist the firm to determine the required service cost to incur on a particular customer. The analysis will also identify maximum discount to offer.

CPA applies activity-based costing to ascertain the activities, cost and profit associated with servicing some categories of customers in order to distinguish between profitable customers and unprofitable customers. It also enables a firm to; identify customers that need advise on their trading activities. Management needs to critically study different factors and analyse the implications before taking decision to suspend or eliminate unprofitable customers.

31. Cost Reduction

The nature of global competition, constant technological innovation and the associated increase in the input costs affect the level of demand. The implication is the drastic reduction in the level of profit for some firms one period to another. One way

of getting out these problems is through the application of cost reduction programme.

At this point, it is necessary to distinguish cost reduction from cost control. Cost control is associated with setting of standards and ensuring that actual results are in conformity the budgeted or standard figures even where an operation is efficient when compared with the standards already set. Cost reduction may be applied in any of the combinations of the following cases:

- The business competition is increasing and this has drastically led to the reduction in the quantity demanded.
- The input costs are increasing but it is not possible to reflect the cost increase in the product price.
- The high quality products manufactured by a firm at high unit costs are no longer favoured by most customers because of the economic down turn.

Thus, even though an organisation is utilising resources efficiently and better than the norm or planned cost, cost reduction assumes that current unit cost is high where most customers could no longer afford to purchase items produced because of economic situation in the country or because of the devaluation effect in the same country where the firm's products are exported to. Thus, there is a need to reduce cost in order to compete favourable in a limited market involving a number of competing firms.

In addition, cost reduction is concerned with:

- Improving performance rather than focusing on how to operate within the standard.
- Aiming at continually achieving economies of product.
- Assuming the existing cost is already high.

Based on the above, cost reduction programme is defined as *the real and permanent savings in project or operation cost by achieving a reduced cost without impairing consumer satisfaction.*

Where a firm could not procure new production facilities to reduce cost because of lack of funds or inability to possess technological know-how for operating the latest advanced technological techniques, an existing production facilities could be modified through a minimum cost and embarking on periodic elimination of unnecessary margin and redundancy through the use of accurate modeling. For instance, North Sea Gas in Britain introduced improvement to its processing plants through minimal facilities that enable gas to be produced at an affordable price to the potential buyers (Crooks 1995). Sheridan (1989) in his own work identified how a new company can succeed in a foreign market. He emphasised that company interested in entering the U.K photocopy market could reason in the manner stated below:

- The thinking would start from the market. How big is it? Is it worthwhile?
- If the answer is yes, what share should the company aim at over what period of time?
- How should the product be packed in order to be competitive and what should the specification be?
- The company has now identified its target market, its shares, the product qualities prices and attributes. It can now determine what investment is required;
- Given the investment, it can calculate the profit it needs to make; and finally
- Cost is the difference. Cost is therefore the target to be

aimed at in order to achieve the plan.

32. Approaches to Cost Reduction Programmes

The two major approach of cost reduction programmes are:

- Crash programme; and
- Planned programme.

Crash programme: Is associated with the application of an immediate decision in solving the problem of unaccepted cost escalation. Some of the general areas recommended for cost reduction through the use of crash programme include:

- Expenditure cutting.
- Capital expenditure deferment.
- Abandoning of some of the current projects about to commence or those that have just commenced.
- Laying off employees or postponement of a new recruitment process.
- Cutting of staff allowances and stoppage of promotion exercise.

While the retrenchment exercise of crash programme has remained popular in recent times, it possesses two opposite effects, in the positive direction, it improves efficiency of the remaining staff. However, the negative impact is that some of the retained staff becomes dishonest because of the fear of job insecurity.

Planned or Controlled Programme: This approach suggest that management needs to plan regularly and proceed to monitor tasks that are performed by assuming what to reduce significantly at the commencement stage because crisis may surface at any time. This action is similar to prevention is better than cure. The terminology defines planned reduction as the reduction in unit cost or services without impairing sustainability for the use intended.

It goes further by expressing that cost reduction can be tackled by:

- Assigning cost reduction to an existing department.
- Creating a new department.
- Forming a committee.
- Using outside consultations.
- Initiating a short campaign by a large number of people.
- Appointing a team of experts from within the company, relieving them of their normal work for a short time.

All functions and activities of the entity may be examined especially design, production, organisation and methods, marketing and finance, and investigation seeks answer to the following questions:

- What is done, where, when, by whom?
- What are the possible cheaper alternatives and what is the most suitable choice?

33. Areas Covered by Cost Reduction Programme

Cost reduction covers all aspect of production process. Notwithstanding, the first area of focus is product design stage, and closely followed by processing designed facilities. Part of the areas covered are summarised below:

Product Design: This stage deals with designing a product in accordance with customers' taste and satisfying how much the

customers are willing to pay after determining the firm's market share.

Production Facilities Including Production Process

Stage: The nature of this stage is an important parameter of cost reduction. Where internal processing designed facilities are faulty, there is possibility of incurring a high production cost. Similarly, production capacity to be installed should consider the current and future market demand. The product design, production facilities, and production process stages determine the extent of cost reduction required for materials, labour and machine efficiency in terms of cost of running the machine per unit of the product and other concerned areas. These are outlined below:

(1) Cost Reduction in Material is Achieved through:

- Using of cheaper material that maintains product specification.
- Quality control application.
- Proper codification of materials.
- Minimising or eliminating of wastage, scraps, spoilage and defective items.
- Ensuring that materials procured can be transformed into defective items.
- Keeping of stock accounting records for materials transaction.
- Providing for security of materials purchased.
- Reduction of total acquisition cost materials.
- Substantial reduction of inventory quantities in raw materials, work in progress and finished goods.
- Reduction of lead-time in placing an order for material items.

(2) Labour Cost Reduction Can be Achieved through the:

- Determination of appropriate labour rates through the time and motion study.
- Introduction of incentive schemes that favour high productivity.
- Use of merit rating and experience for promotion.
- Minimisation of elimination of labour idle time.
- Introduction of correct booking of labour cost.
- Proper authorisation of overtime works.
- Use of precautionary measures against irregularities and fraud in remuneration payment.
- Avoiding of strike and lockout.
- Ensuring of job security.

(3) Overhead Cost Reduction Can be Achieved through:

- Regular maintenance of fixed assets.
- Efficient use of capacity utilisation.
- Minimising expenditure of printing, postage, telephone and travelling allowances.
- Providing for good mode of transportation system for the finished product.

(4) Production Cost Reduction Can be Achieved through:

- Reduction of production cycle-time.
- Elimination of wastages, defects, scraps, and rework costs.
- Improving of production effectiveness.

- Embarking on quality improvements at little or no cost.
- Redesigning production processes where necessary.

(5) Other Areas Covered by Cost Reduction

- Correct estimation of project and operation costs.
- Employment of competent managerial and technical staff.
- Avoiding of using poor contractor for performing a given task.
- Ensuring of quick project completion.
- Using of an appropriate project financing.
- Incentives to workers that contributed to productivity improvement.
- Redesigned the organisation structure in line with the latest development.
- Design an effective training facilities.
- Eliminates non-value added activities.
- Use an effective channel of distribution for the firm's products.
- Ensure working capital is adequate and not excessive.
- Ensure profits are utilised for profitable investments.

The quickest means of improving and optimising profitability is to drastically reduce costs. During economic recession, cost reduction programme enables a firm to at least maintain business stability and overcome stagnation. Similarly, the programme assists to improve company's competitive strength and be assured of strong future prospects.

34. Benefits of Cost Reduction

- It achieves an appropriate selling price that consumers can afford to pay.
- It improves target performance beyond the company's expectation.
- It enables business to grow profit.

35. Value Analysis

Value analysis is an approach by which an organisation tries to improve product performance that accomplishes value increase at a minimum or reduce cost. It is defined in the official terminology as:

A systematic interdisciplinary examination of factors affecting the cost of product of service, in order to devise means of achieving the specified purpose most economically at the requires standard of quality or reliability.

The objective of value analysis is to ensure that every competent in a product is subject to an improvement where possible, and without changing the competitive product price. It may also result in maintaining the present product quality at a reduced cost.

The areas that can be subjected to an improvement includes:

- Product quality;
- Type of material used in manufacturing;
- Product design and specification;
- Product outlook; and
- Product cost.

Based on these presentations, it is definite that value analysis is a technique of reducing cost where considered necessary.

By implication, value analysis, earns an improvement in the

production function as viewed by the used and producer. It is a continues process during the entire product life cycle. This is an indication that value analysis is carried out during production.

Generally, customers' perspective about product attributes determines the extent to which an improvement is required. The acceptable means of ascertaining the success of value analysis is to find out an increase in the volume of demand for a product and the amount of profit earned when compared with the past profit. Another technique of cost reduction that is occasionally sued synonymously with value analysis, is called Value Engineering. It is the process of ensuring that an appropriate product design is applied to the development of a new product at a minimum cost or at an acceptable reduced cost in order to achieve customer satisfaction and high product value as perceived by the customer.

The terminology defines value engineering as a redesign of an activity product or service so that value to the customer is enhanced while costs are reduced (or, at least, increase by less than the resulting price increase). Value engineering centers on reducing cost at the design stage before production. This is in contrast with value analysis that tries to reduce cost during production process after the initial design stage.

36. Types of Value

Traditionally, value means the worth of a product or service. However it is interpreted differently by different categories of users. For instance, a consumer may view it as "an amount of satisfaction derived during consumption" whereas, salesman terms it as "the price charged to the consumer". Generally, there are four types of value. These are summarised below:

(1) **Cost Value:** Known as the production cost to the producer whereas, it is referred to as the purchasing cost to the buyer. The value aspect of the value analysis tries to reduce unit cost. Where product quality is to remain the same, unit product cost achieved from time to time determines the cost value.

(2) **Use Value:** This is measured in terms of product performance or product reliability as defined in the terminology. The Use value can be categorised into three different ways.

These are:

- Primary use;
- Secondary use; and
- Tertiary or auxiliary use.

The prime attribute in any product is termed as primary use.

(3) **Exchange Value:** Relate to market prices that differs from period to period due to factors like level of competition, inflationary trends, etc.

(4) **Esteem Value:** Known as the prestige attached to a product by the customer that has no relationship with the product performance.

37. Relationship Between Value, Function and Cost

The previous sub-section relate value to function and cost. The relationship can be expressed as "value is directly related to function of a product and inversely related to product cost."

Thus:

- If the product function or product worth is kept unchanged,

the higher the cost the lower should be the value and vice versa.

- (b) In a situation where cost is kept unchanged, the higher the function or the higher the worth the higher should be the value.
- (c) Improvement in function or worth and simultaneous reduction in cost leads to value increase.

The latter equation of value is based on the producer's perspective. However, the customer who is the buyer or the final consumer of the product measures the value of a product in line with the equation below:

Value as determined by the producer =

Worth ÷ Price paid

Where Price paid = cost + profit added

Based on the presentation above, the two major characteristics of value are performance and capability. The sum of the two features divided by the cost incurred also gives product value.

This means that **Function = Performance + Capability**.

It can also be expressed that **customer value** can be determined by two major factors such as:

- Price that customers are willing to offer; and
- Satisfaction derived by consuming the products or services rendered.

The important consideration is that based on the customers' perspective about the value of a product, it is evident that for a firm to possess a competitive advantage over its major competitors, it is essentially necessary to focus attention on a continuous product improvement that will increase customer's satisfaction. The satisfaction measured by the improvement that will increase customer's satisfaction. The satisfaction measured by the customer is the value placed on the product purchased.

This can take any of the forms below:

- To reduce the product cost drastically and focus on quality assurance by using substitute materials and appropriate production processes in a low demand environment.
- To differentiate the product which certain category of large customers favoured and are ready to place an increase value upon by increasing quality.

Whichever option is favoured, cost reduction and quality improvement are important determinants of value analysis.

38. Steps in Value Analysis

Because value analysis is an interdisciplinary examination of factors affecting a product or service cost, it is evident that many departments participate in its implementation. For instances, **marketers** are interested in the worth of a product/service price **engineers** are interested in the design, whereas **management** is interested in the return on capital employed.

The stages associated with value analysis are:

- Make selection of product or service for investigation.
- Compare the profitability with the competitors' products.
- Find out the opinion of consumers regarding the producer's price and function.
- Consider the different means of improving quality.

- Select the alternative that gives the least cost and maximum functions.
- Examine the present profitability of the product.
- Implement the expected increase in demand where the improvement is to be carried out.
- Implement the improvement where favourable outcome is possible.
- Ascertain the contribution realised after implementation in order to find out its effectiveness.

Summary

Cost management is an important tool that needs to be embraced by various organisations using different parameters to ascertain the profitability index of a product/service. This will enable the organisation to survive and compete keenly with other organisations operating within the market.

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Understanding Budget Preparation Under IPSAS

By **RUFAL AHMED BABBA**

1.0 INTRODUCTION

Budget could be defined as a future plan of action for the whole organisation or a section thereof. Budget can also be defined as a financial and or quantitative statement prepared and approved prior to a defined period of time of the policies to be pursued by the organisation in order to achieve organisational goals and objectives. Budget is an anticipated summary of revenue to all aspects of the expenditure.

The United Nations' System of National Accounts (SNA) and the International Monetary Fund's (IMF's) Government Finance Statistics Manual 2001 (GFSM) prescribed how a government's consumptions and investment activities should be recorded in the budget and accounting records and statistics. In Nigeria, the emphasis of the presentation will be on the summary of the total and all the supplementary Budgets of any government entity into various segments in accordance with the National Chart of Accounts (NCOA) that is IPSAS compliant. According to Public Expenditure and Financial Accountability framework (PEFA-P1-6 Comprehensiveness of information included in the Budget Documentation). The following are required to be disclosed in the Budget of the three tiers of Government – Federal, State and Local governments in order to comply with IPSAS:

- Macro-economic assumptions including at least estimates of aggregate growth, inflation and exchange rate;
- Fiscal deficit, defined according to Government Finance Statistics (GFS) or other internationally recognised standards;
- Deficit Financing, describing anticipated composition;
- Debt Stock, including details at least for the beginning of the current year; and
- Financial Assets including details at least for the beginning of the current year.

IPSAS 24 on Presentation of Budget Information in financial statements ensure that public sector entities discharge their accountability obligations and enhance the transparency of their

statements by demonstrating compliance with approved budget for which they are held public accountable and, where the budget and the financial statements are prepared on the same basis, their financial performance in achieving the budgeted results. IPSAS 1 on presentation of financial statements sets out the manner in which General Purpose Financial Statement (GPFS) shall be prepared and also states one of the components of IPSAS cash based GPFS as when the entity makes its approved budget publicly available, comparison of Budget and actual amounts either as a separate additional financial statement or as a Budget column in the statement of cash receipts and payments should be made.

2.0 OBJECTIVES OF IPSAS COMPLIANT BUDGET

The IPSAS Compliant Budget is carried out to achieve the following objectives among others:

- The Budget of the Government entity can be seen at a glance;
- The summary of all the segments of the Budget are highlighted;
- Consolidation of all functional Budgets to present overall organisational objectives during the forthcoming budget period(s);
- Consolidation of all Budgets based on programmes and projects of the government entity;
- Comparison of the Consolidated Actual Performance against Budgets;
- Funds available for development can easily be known; and
- It assists top management in decision making.

3.0 PROCESS INVOLVED IN THE PREPARATION OF BUDGET

The Budget process involves a number of on-going activities in a circle known as Budget cycle throughout the year. It starts with macro-economic policies and objectives, setting revenues and

expenditure ceilings, approval and its execution. The following are important steps in the preparation of the budget:

- Issuance of call circular;
- Communication of the contents of the call circular to all stakeholders (Ministries, Department and Agencies);
- Budget defence at all level;
- Collection of financial estimates by the Budget office (Federal/States/LGCs);
- Submission of the Financial Estimates to the Chief Executive (President/Governor/Local Government Chairmen);
- Presentation of Appropriation Bill to the Legislature;
- Passage of the Appropriation Bill and Assent of the Appropriation Bill by the President/Governor/Local Government Chairman into Budget.

3.1 PREPARATION OF BUDGET UNDER IPSAS IN DETAILS

As stated earlier, the process of Preparation of Budget under IPSAS begins with formulation of Budget Policy and Resources Projections based on Macroeconomic Performance Review. This review of macroeconomic performance starts with an assessment on performance of the previous Budget assumptions and targets to determine the level of achievement. The Macroeconomic review is facilitated by the Budget office of the federation, which is charged with responsibility of preparing annual Budget Guidelines. Other variables, which are reviewed, include economic growth rate, inflation and government finance.

On completion of the above step, the Government then sets objectives and Budget priorities to be achieved in the annual and three years of Medium Term Expenditure Framework (MTEF). A medium term outlook is necessary because the time span of an annual budget is too short for adjusting expenditure priorities and uncertainties becomes too great over the longer term.

On the receipt of call circular, it is the responsibility of all Budget Centres to first prepare the Detailed Budget and the Consolidated (master) Budget for their entities.

Afterwards, the Budget office of the Federation/States/LGs will collate the individual master Budgets and prepare the consolidated budget summary for the tier of Government (Federation, States or Local Government). The consolidation process is simply bringing together of the various components of revenues and expenditures after all estimates have been received from Ministries, Departments and Agencies (MDAs) to arrive at what is known as a Master Budget. The Master Budget at a glance shows what the revenue and/or expenditure in different categories are and whether it is going to be a deficit and how it will be financed.

Preparation of Budget under IPSAS is based on the National Chart of Account (NCOA) which has six segments. These segments are Administrative, Economic, Functional, Programme Funds and Geographic Codes.

The **Administrative Segment** assigns responsibility for each transaction whether revenue centre (receipt)

or cost centre (payment). The segment has been broken down into five parts namely sector, organisation, sub-organisation, sub-sub organisation and sub-sub-sub organisation. The first part of the segment (sector) consists of Administrative, Economic, Legal and Justice, Regional and Social sectors. The **Economic Segment** answers the “what” question of every transaction. Every receipt must be from a particular source likewise every expense must be on a particular item or object.

The **Functional Segment** categorises expenditure according to the purpose and objectives to which they are intended. It

Appendix 1:
STRUCTURE OF FUNCTIONAL SEGMENT

CODE	MAIN FUNCTION
701	General Public Service
702	Defense
703	Public Order and Safety
704	Economic Affairs
705	Environmental Procession
706	Housing and Community Amenities
707	Health
708	Recreation, Culture and Religion
709	Education
710	Social Protection

Appendix 2:
STRUCTURE OF SOME IDENTIFIED PROGRAMME SEGMENT

CODE	PROGRAMME DESCRIPTION
01	Economic Empowerment through Agriculture (General)
02	Societal Re-Orientation (General)
03	Poverty Alleviation
04	Improvement to Human Health (General)
05	Enhancing Skills and Knowledge (General)

Appendix 3:
STRUCTURE OF FUND SEGMENT

CODE	MAIN FUND
01	Federation Account
02	Consolidated Revenue Fund
03	Capital Development Fund
04	Contingency Fund
05	Debt Relief Gains
06	Special and Trust Funds
07	Other Public Funds
08	Aids and Grants
09	Loans/Debts
10	Retained Independent Revenue

addresses “for what purpose” element of each transaction. Functional Classification or Classification by Functions of Government (COFOG) is defined as a detailed classification of functions, as socio-economic objectives that general government unit aim to achieve through various kinds of outlays. Examples of main functional segment based on COFOG are shown in **Appendix 1**.

The **Programme Segment** answers the “Why” question of every transaction according to the purpose or objective. Does the transaction relate to a specific project and if so what type of activity? The segment is broken into Policy, Programme, Project, Objective and Activity. Some of the examples of identified programmes are also shown in **Appendix 2**.

The fourth segment addresses the “financed by” element of

a transaction. Fund refers to the various pools of resources for financing government activities. **Appendix 3** shows examples of main funds under the fund segment of National Chart of Account.

The **Geographic Codes Segment** addresses the “Where” (location/Station) element of every transaction. The Geo Codes segment is broken into North-Central, North-East, North-West, South-East, South-South, South-West and Federal Capital Territory.

As stated earlier, all Budget centres are required to first prepare Detailed Budget as well as the consolidated (master) Budget for their entities. The Detailed Budget shows the Segment Code, Details of Expenditure or Revenue item, Proposed estimates for three consecutive years, e.g. 2014 – 2016, approved estimate for the year before the first year of proposed estimate,

Appendix 4:
DETAILED BUDGET (PERSONNEL & OVERHEAD 2014-2016)

ECONOMIC CODE	DETAILS	PROPOSED ESTIMATES 2014	PROPOSED ESTIMATES 2015	PROPOSED ESTIMATES 2016	APPROVED ESTIMATE 2013	ACTUAL (TO PERIOD) 2012
2	EXPENDITURE					
21	PERSONNEL COST					
2101	SALARIES AND WAGES					
210101	SALARY AND WAGES					
21010101	SALARY					
21010102	OVERTIME PAYMENT					
21010103	CRF CHARGE – SALARY					
2102	ALLOWANCE & SOCIAL CONTRIBUTION					
210201	ALLOWANCES					
21020101	NON-REGULAR ALLOWANCE					
21020102	FOREIGN SERVICE					
210202	SOCIAL CONTRIBUTIONS					
21020201	NHIS CONTRIBUTION					
21020202	FGN CONTRIBUTION PENSION					
21020203	GROUP LIFE ASSURANCE					
22	OTHER RECURRENT COST					
2201	SOCIAL BENEFIT					
220101	SOCIAL BENEFIT					
22010101	GRATUITY					
22010102	PENSION					
22010103	DEATH BENEFITS					
2202	OVERHEAD COST					
220201	TRAVEL & TRANSPORT – GENERAL					
22020101	LOCAL TRAVEL & TRANS – TRAINING					
22020102	LOCAL TRAVEL & TRANS – OTHERS					
22020103	INT. TRAVELS & TRANS – TRAINING					
22020104	INT. TRAVELS & TRANS – OTHERS					

Appendix 5:
Government of Nigeria
Capital Expenditure Budget – From Aids and Grants

ECONOMIC CODE	FUNCTIONAL CODE	PROGRAMME	FUND	GEO CODE	DESCRIP- TION	BUDGET 2014 ₦	BUDGET 2015 ₦	BUDGET 2016 ₦	TOTALS YEAR ₦	BUDGET 2013 ₦
23		CAPITAL EXP. FROM AIDS & GRANTS								
230101		PURCHASING OF FIXED ASSET - GENERAL								
230201		COST/PROV. OF FIXED ASSET - GENERAL								
230301		REHABILITATION/ REPAIR OF ASSETS - GENERAL								
230401		PRESERVATION OF THE ENVIRONMENT - GENERAL								
230501		ACQUISITION OF NON-TANGIBLE ASSET								

e.g. 2013 and actual (to period) a year before approved estimated year, i.e. 2012. The tier of Government and the name of MDA/ Budget Centre should also be shown as part of the headings of the Budget. For formats of some of the Detailed Budgets, please refer to **Appendices 4 and 5**.

The first of the format of Detailed Budget is in respect of a Budget Centre or MDA of Federal Government of Nigeria. The three tiers of Government can also prepare Detailed budgets from Aid and Grants, Retained Internally Generated Revenue (IGR), Programme capital budgeting, project capital budgeting under Programme segment of National Chart of Accounts. *Appendix 3* is a format of Capital Expenditure Budget from Aid & Grants.

Consolidated (Master) Budget is the aggregate of the various components of revenues and expenditures from estimates received from MDAs or Budget Centres. The Capital Expenditure Component of the Budget is based on segments of National Chart of Account (Administrative, Economic, Programme, Functional funds and Geo Codes). The Budget begins with the opening Balances for the Budgeted three years, total Budget for the year preceding the Budgeted, three years, actual Budget (to Period) i.e for the first year of the fifth year budgeted period. Format of a consolidated (Master) budget for the period 2014–2016 based on programme is shown in **Appendix 6**. This is the budget that is highly recommended.

3.2 BUDGET INFORMATION IN THE FINANCIAL STATEMENT

IPSAS 24 Focus on Presentation of Budget information in financial statements. As entity that makes publicly available its approved budget(s) must present a comparison and actual amounts thus:

- The original and final budget amounts (inclusive of supplementary budget);
- The actual amounts on a comparable basis; and
- Explanation of material difference between budget and actual amount in the notes to the financial statements unless such explanations are published in other public documents related to the financial statements.

3.3 THE STRUCTURE OF CAPITAL BUDGET

The structure of capital budget (both receipts and expenditures) can be presented in several ways based on the National Chart of Accounts. According to draft consultation paper issued by International Monetary Fund (IMF) on fiscal transparency, three classification structures have been identified for the presentation of capital budget. These classification structure are categorised as (a) Basic; (b) Good; and (c) Advance.

(a) **Basic Classification** – Fiscal and budget report include an administrative and economic classification consistent with international standards as well as information on receipt from all major revenue sources, including resources related activities;

(b) **Good Classification** – Fiscal budget reports include an administrative, economic and functional classification consistent with International Standards as well as information on receipts from all major revenue sources, including resources related activities;

(c) **Advanced Classification** – Fiscal and budget reports include an administrative, economic, functional and programme classification consistent with international standards, where applicable, as well as information on receipts from all major revenue sources, including resources related activities.

In the light of the foregoing, the structure of a capital budget

Appendix 6:
Government of Nigeria
CONSOLIDATED BUDGET SUMMARY (MASTER BUDGET)

S/N	DETAILS	Budget 2014 N	Budget 2015 N	Budget 2016 N	Total 3-Year Budget N	Budget 2013 N	Actual (to period) 2013 N	Actual 2012 N
1.	Opening Balance	xx	xx	Xx	xx	xx	xx	xx
2.	Receipts:							
3.	Statutory Allocation	xx	xx	Xx	xx	xx	xx	xx
4.	Value Added Tax	xx	xx	Xx	xx	xx	xx	xx
5.	Independent Revenue, etc.	xx	xx	Xx	xx	xx	xx	xx
6.	Total Projected Fund Available	xx	xx	Xx	xx	xx	xx	xx
7.	Expenditure							
8.	A: Recurrent Debt							
9.	CRF Charges – Public Debt Charges	xx	xx	Xx	xx	xx	xx	xx
10.	Internal Loan Repayment, etc.	xx	xx	Xx	xx	xx	xx	xx
11.	Total Recurrent Debt	xx	xx	Xx	xx	xx	xx	xx
12.	B: Recurrent Non-Debt							
13.	Personnel Cost	xx	xx	Xx	xx	xx	xx	xx
14.	CRF Charges – Statutory Office Holder Salaries	xx	xx	Xx	xx	xx	xx	xx
15.	CRF Charge – Pension & Gratuity	xx	xx	Xx	xx	xx	xx	xx
16.	Total Recurrent	xx	xx	Xx	xx	xx	xx	xx
17.	Total Recurrent Expenditure	xx	xx	Xx	xx	xx	xx	xx
18.	Capital Expenditure Based on Programme	xx	xx	Xx	xx	xx	xx	xx
19.	Economic Empowerment through Agriculture – General	xx	xx	Xx	xx	xx	xx	xx
20.	Societal Re-Orientation – General	xx	xx	Xx	xx	xx	xx	xx
21.	Poverty Alleviation, etc.	xx	xx	Xx	xx	xx	xx	xx
22.	Total Capital Expenditure	xx	xx	Xx	xx	xx	xx	xx
23.	Total Expenditure (Budget Size)	xx	xx	Xx	xx	xx	xx	xx
24.	Budget Surplus/(Deficit)	xx	xx	Xx	xx	xx	xx	xx
25.	Financing of Deficit by Borrowing							
26.	Internal Loan	xx	xx	Xx	xx	xx	xx	xx
27.	External Loan	xx	xx	Xx	xx	xx	xx	xx
28.	Total Loan	xx	xx	Xx	xx	xx	xx	xx
29.	Closing Balance	xx	xx	Xx	xx	xx	xx	xx

can be presented based on segments of National Chart of Account (NCOA) namely administrative, i.e. based on sectors (Administration, Economic, Law and Justice, Regional and Social) economic, function or programme. The structure of a capital budget prepared on the basis of programme segment of NCOA is highly recommended.

4.0. STAGES FOR PREPARATION OF GOVERNMENT RECURRENT ESTIMATES

As soon as the Ministries, Departments and Agencies (MDAs)

or Budget Centres submit their Revenue (Detailed Budget) and the Ministry of Finance, upon the submission, has known how much additional revenue will accrue to the Budget centre during the current financial year, expenditure budgets are to be prepared under the following stages:

4.1 ADVANCE PROPOSAL STAGE

The Ministry of finance having received returns of the revenue from the ministries that reveal substantial increase in revenue for the next financial year, it is usual for the Ministry to allow the

Departments some reasonable expansion in their work. Proposals for staff increases (Staff recruitment) are submitted to the office of the Head of Service for approval while proposal for equipment, materials, buildings and running costs of ministries are submitted to the Ministry of Finance for approval. The Ministries will be summoned to appear before the Estimates committee to justify their proposals. The Ministry of Finance and office of the Head of Service will communicate to the respective ministries the list of approved items of their proposals so that the ministries may then prepare their Draft estimates.

4.2 THE DRAFT RECURRENT ESTIMATE STAGE

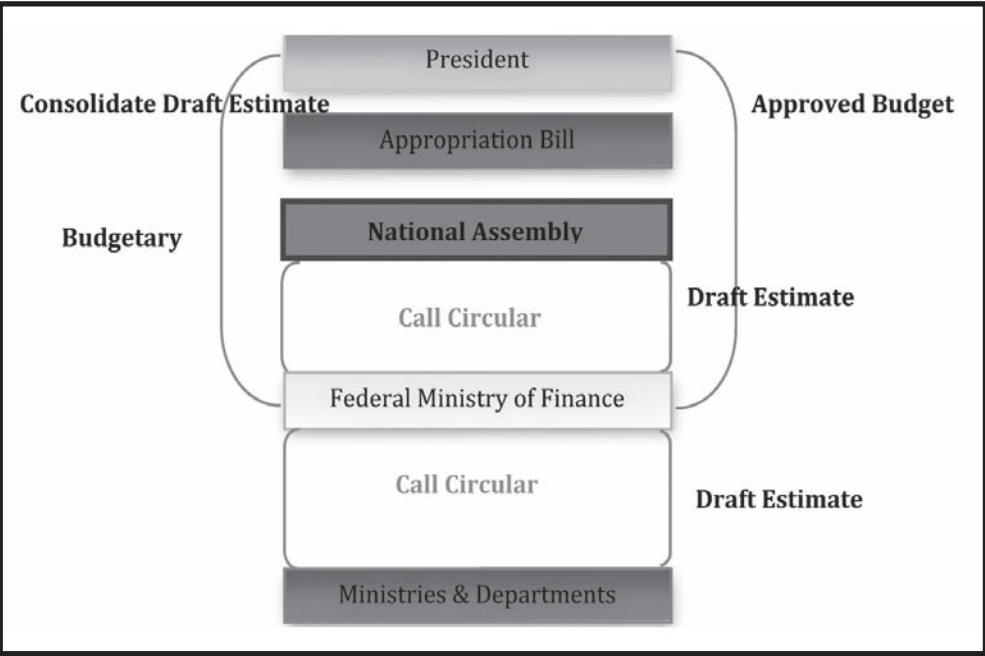
The Department will now prepare their draft estimates which will contain the following:

- (i) Items in the current year’s estimates which the head of Department wishes to carry forward;
- (ii) Item approved under the advance proposals by the ministry of finance and the office of the Head of service;
- (iii) Items approved under financial warrants during the current year’s estimate; and
- (iv) The disappearing items, i.e. of the current year’s estimate which are to be dropped from next year’s estimate.

After compilation, the departments submit their Draft recurrent estimates to the Minister who in turn after careful scrutiny present them to the Budget office/Division in the office of the president for ensuring conformity with Government policy.

4.3 THE APPROPRIATION BILL STAGE

The National Assembly or House of Assembly is summoned to consider, among other things, the draft estimate of the government. The budget session meeting of the National Assembly or House of Assembly at which the Draft estimates will be introduced as the principal business in the form of an “APPROPRIATION BILL” will be organised. Below is the diagrammatic representation of an Appropriation Bill.



4.4 THE LEGISLATIVE APPROVAL

The National Assembly consists of House of Representatives and Senate. After each house has considered the Budget or the Appropriation Bill through the various committee of the house, the budget then finally approved by the house if no grey area(s) was/were observed. But where there may be areas requiring reconciliation by the two houses and so, the finance committee is constituted to thrash out areas of disagreement and report made to each house, which then approved the appropriation bill. Thereafter, the President signs the budget approved by the National Assembly which is now called the Appropriation Act to enable Ministries, Departments and Agencies (MDAs) to spend.

5.0 CONCLUSION

Preparation of budgets is the first step in the budget control system. Implementation of budgets is the second phase. But preparation and implementation of budget alone will not achieve much unless a comparison is made regularly between actual performance and the budgeted performance through continuous and proper reporting – the significant changes introduced by the IPSAS. Budgeting are comparison of prior year budgeted and actual figures, publication of approved budget, and emphasis on programme based Budgeting. Finally, to ensure the success of budgetary control system, proper follow-up action has to be taken immediately for the reports submitted.

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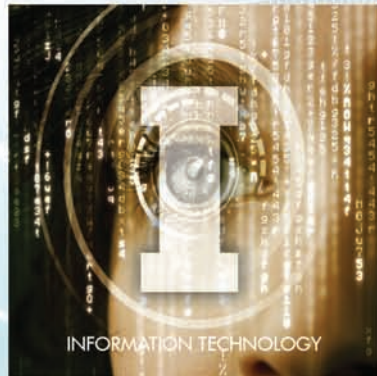
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