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ICAN STUDENTS' JOURNAL

Creating Enabling Investment Environment
For Manufacturing Sector's Productivity And Revenue Generation At States Level

Agricultural Resource Tapping And Utilization For State's Economic Development: The Role Of The Chartered Accountants

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IN THIS ISSUE

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Editor's Note

When people speak of their high regard for The Institute of Chartered Accountants of Nigeria, it's not just the size of the Institute's membership or the top positions of its members in many organizations within and outside of Nigeria. Rather, quite a number of such people are referring to the disciplinary arrangements of the institute that ensure that its examinations are leak-proof and the integrity of its certificate is incontrovertible; and of course, its readiness to deal with erring members in line with laid down procedure among other reasons.

The importance of discipline cannot be overemphasized especially at such a time in the history of Nigeria when indiscipline and lack of integrity have thrown the leadership of the country into a truly perplexed state and the nation is adrift. Recently, in line with its disciplinary procedure and zero tolerance for examination malpractices, the Institute blacklisted three students caught cheating during November 2011 Professional Examinations. After due investigations, the Council of the Institute blacklisted and banned them from all the Institute's examinations.

It's not only students that are so regulated. A member of the Institute also got a six-month suspension recently for infamous conduct. He was said to have acted without integrity after failing to substantiate his written allegation of fraud against, a fellow member of the Institute, when called upon to do so by the Institute's Investigating Panel. He was ordered to return his membership certificate and License to Practice to the Institute. After the suspension period, he is at liberty to re-apply to the Institute's Tribunal for re-admission. If he fails, neglects or refuses to return his certificate after three weeks of the judgment, his name would automatically be struck out of the membership register. Read about these and other happenings in our news section.

Our lead article is entitled ***Enabling Investment Environment for Manufacturing Sector Productivity and Revenue Generation at State Level****, written by Adams Adeiza. The industrial or manufacturing sector of any nation plays no mean role in the economic growth of such a country as no nation can attain the status of development until its industrial sector is effective and globally competitive. It is widely believed that the wealth of any nation is underlined by the development of its manufacturing sector which contributes a great percentage to its Gross Domestic Products (GDP). It is also known that most of the poor countries of the world, like Nigeria, remain so because contributions from their manufacturing sector were very low. Thus, our author pinpoints why an enabling environment should be created for manufacturers to invest in order to improve the economy of any country.*

We also have another article on how Chartered Accountants can provide guidance on better management of the enormous resources available for Nigeria's economic recovery and growth. It is entitled ***Agricultural Resource Tapping and Utilization for State's Economic Development: The Role of the Chartered Accountants****. Enjoy the write up and be a part of the movement to lead our beloved country out of economic doldrums.*

Your comments and contributions are welcome. Please write to: corporateaffairs@ican.org.ng; daajigbotosho@iacan.org.ng .

ICAN Has Broken Barrier Between Academics And Professionals - Unilorin VC

The election of Professor Francis Ojaide as the 47th President of ICAN has been described as breaking the barrier between academic and professional accountancy. This was observed by the Vice Chancellor of University of Ilorin, Professor Ishiaq Oloyede while receiving Ojaide who had paid a courtesy call on him in the University. He also said that since the world has become a global village where everything flows seamlessly, ICAN, being a foremost accountancy body, has embraced this by electing an academic professor as its President.

"It is important to note that the current Head of Department accounting, Professor Adeyemo Aderinto, and many other lecturers in the department are ICAN members, likewise many chartered accountants in practice in the State are now applying for their PhD programmes," he added.

The ICAN President who was on a 3-day visit to ICAN Ilorin and District Society of ICAN also seized the opportunity to interact with the students of Accounting and Finance of the University.

Professor Ojaide also visited the State House where he was received by the Deputy Governor of Kwara State, Elder Peter Kisira on behalf of the Governor who was not around to receive him personally.

In his short address Ojaide appreciated the unwavering support of the State government to ICAN Ilorin & District Society and its activities in the State. He also acknowledged the receipt of an 18-seater Toyota Hiace bus donated by the state government to the District Society, N3million rent payment for the NNDC/ICAN Study centre and another donation of N1million to host the ICAN President and his entourage. Ojaide however solicited from the Governor, 6-plots of land in a strategic location of the State to build a befitting District Secretariat and office.

Responding, the deputy governor, acknowledged the enormous contribution of Chartered Accountants to prudent financial management and resource control in the state. He gave an assurance that the governor would be positively disposed to the request made by ICAN President. The President also visited Al-Hikmah University, Ilorin Kwara State.

Misconduct Will Not Be Condoned From Members - Ojaide

The President of the Institute, Professor Francis Ojaide has said that any misconduct will not be condoned from any member of ICAN no matter how highly placed in the society. This was declared by the Vice President, Mr. Doyin Owolabi, who represented the President at the opening ceremony of the 18th Special Candidates' Course held in Lagos on Monday, April 23, 2012.

He urged the candidates to ensure that they live above board in their business and commercial relations, adding that their conduct must seek to conform to best practices and promote the ideals of the Accountancy Profession. "Indeed, all cases of misdemeanor by any

Cross section of participants at the 18th Special Candidates' course

member, no matter how highly placed, will be referred to the Investigating Panel and if a prima facie case is established, the issue will be referred to the Disciplinary Tribunal," he declared.

Wishing the candidates successful training session, he said that the training would be the last one to be held, as members of other professional bodies, recognized by the Council of the ICAN will write all papers in Professional Examination II, which is the final stage before admittance into the membership of ICAN.

The Special Candidates' Course was conceived by the Council in 1996 to provide candidates of other member-bodies of International Federation of Accountants (IFAC) an opportunity to become members of ICAN. Since inception, the strategy has achieved the twin objectives of increased membership without compromising standards and getting foreign properly trained accountants to acquaint themselves with the local environment in which they will operate.

ICAN Confers Fellowship Status On 611 Members

No fewer than 611 members of the Institute were conferred with the fellowship status at the 10th ICAN Conferment of Fellowship Status Ceremony held on Wednesday, April 4, 2012 at the ICAN centre, Amuwo Odofin, Lagos. The Fellowship status is the highest level attainable by a member in his/her professional career as a Chartered Accountant.

In his keynote address at the event, the 47th President of the Institute, Professor Francis Ojaide noted that the fellowship status is conferred on members who have been found fit by their actions, standards and behaviour in upholding the ethics and conduct of the accountancy profession. "The status also connotes integrity, honesty, diligence, intelligence and leadership qualities which make fellows of the Institute worthy ambassadors in their fields and position of authority," he stated.

In his paper entitled "Reclaiming the Future through Empowerment Generation" the special guest of honour, Prof. Eghosa Osagie charged the conferees to prepare for greater tasks now and in the potentially perilous years ahead.

He said it was certain that current problems of unemployment are bound to assure crisis proportions in the future unless a credible and well thought out plan for addressing this economic and social problem are developed by key stakeholders in the country.

He also emphasised that if government at the three tiers alone is expected to proffer sustainable and effective solutions to the malaise of unemployment, solution may be elusive. Among those conferred with the fellowship status was the Assistant Director, Financial Services of ICAN, Mr. Mukaila Lawal, bringing the number of fellows of the Institute to 7,425.

There Is Confidence In Accountncy Profession
- Kwara Poly Rector

The Rector of Kwara State Polytechnic Ilorin, Alhaji Masud Elelu has said that there is confidence in Accountancy profession because of its qualitative training process. He said this in his office recently when the President of the Institute of Chartered Accountants of Nigeria (ICAN), Prof. Francis Ojaide paid him a courtesy visit.

He also noted that the number of students' applications to study accounting in the school through the Joint Admission and Matriculations Board (JAMB) is one of the highest. This, he said, attests to the high teaching standard of the accounting department of Kwara Polytechnic on one hand and the high labour market demand for chartered accountants on the other hand.

Speaking on academic standard of the Polytechnic and the accounting department in particular, Alhaji Elelu said: "I have recently received a letter from your Institute's Secretariat in Lagos that the accreditation of our accounting department has been approved by your Council. The ICAN accreditation team visited the accounting department of the school in December, 2011 and has found out that it met the entire required minimum standard".

The Rector also used the opportunity to request for more ICAN publications as well as other assistance deemed fit in terms of accounting equipments like, accounting IT laboratory, scholarship for outstanding students, setting up of library etc. in order to sustain and even surpass the set standard.

In his response, Prof. Francis Ojaide commended management team of the Institution for maintaining hitch free academic sessions as well as its academic quality and standard. He urged the management team to ensure that ICAN members in the employment of the school are properly placed in line with the current civil service gazette.

Provide Legislative Support To The Executive To Achieve Good Governance - Ojaide

The 47th President of the Institute, Professor Francis Ojaide has called on the Honourable members of the Ondo State House of Assembly to support the Executive in its functions to provide good governance to the people of the state.

The ICAN President who was on a two day visit to Akure and District Society of the Institute, made this call in his address to the state legislators during his courtesy visit to the State House Assembly in Akure. Stating the purpose of his visit, Ojaide said that ICAN is desirous of assisting institutions to create wealth for their stakeholders.

ICAN President, Professor Francis Ojaide, presenting gift to the Speaker of Ondo State House of Assembly, Hon. Samuel Adeshina

His words: "Our visit to this Honourable House is a strategic move in furtherance of our desire to assist institutions, both private and public, to create wealth for their stakeholders through good governance. Our spread is global and our membership base is robust enough to cater for every expert financial advice required by any organization", he said. He therefore encouraged the Honourable House to further improve on its roles in promoting accountability and transparency in government.

In his response, the Speaker of the House, Hon. Samuel Adesina said Chartered Accountants in the employment of the state are very resourceful and hardworking. According to Hon. CFG Akinwolemiwa, a fellow of the Institute, despite challenges and turbulent times faced by members of the House, they are working round the clock to see that accountability and transparency are put in place to ensure good governance.

Give Us Examination Laison Office In Ilorin
- District Society

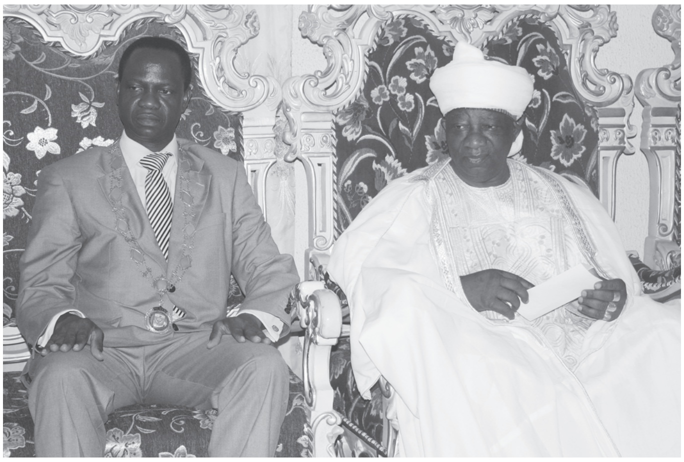
The Ilorin and District Society of the Institute has urged the 47th President of ICAN, Professor Francis Ojaide and the Institute's Council to build an ICAN examination Centre in Ilorin as well as a Liaison office. This request was made by the Chairman of the District, Alhaji Tunde Abdulkareem during members forum organized as part of activities in hosting the ICAN President who visited the district.

Abdulkareem noted that the geographical location of Kwara State puts it at an advantage for easy accessibility by both northerners and southerners. He said if an examination centre and a liaison office are built in Ilorin, it will relieve the Institute of the high cost of hiring halls annually for its examinations.

The District Chairman also disclosed that the Kwara State government donated a brand new Toyota Hiace bus worth N6.9million to the Ilorin district, apart from the N3million it approved for the ICAN Special Student Programme under the NNDC/Kwara State government partnership arrangement.

I Respect Chartered Accountants, Says Emir Of Ilorin

The Emir of Ilorin, Alhaji (Dr.) Ibrahim Sulu-Gambari, has reiterated that his great respect for Chartered Accountants dated back to his student days in England. Sulu-Gambari disclosed this at his palace in Ilorin while playing host to the 47th ICAN President, Professor Francis Ojaide on Tuesday, March 13, 2012. He said this respect was borne out of the fact that Accountants are highly responsible and rated alongside legislators in developed countries. The former Justice and the 11th Emir of Ilorin also disclosed that two of his children are Accountants.



The Emir of Ilorin, HRH, Ibrahim Sulu-Gambari with ICAN President, Professor Francis Ojaide in his palace

Earlier, Ojaide had told the Emir that his courtesy visit to the palace was part of activities to mark his 3-day district tour to Ilorin and District Society of the Institute. He explained further that the visit was to ascertain the positive contributions of Chartered Accountants to the growth and development of Kwara State.

The Emir at this juncture, said "although corruption has eaten so deeply into all part of the nation's economy and has hindered growth and development at all level of governance, however, no member of the Institute has been found wanting in my domain as liable to any corrupt practices".

ICAN Suspends Member For Six Months Over Misconduct

The Institute has slammed a six-month suspension on one of its members, Mr. Olusegun Oyebola (MN 011715) over infamous conduct in a professional respect contrary to paragraph 1.2.0 (a) and (b) of Chapter 1 of the Professional Code of Conduct and Guide for Members of the Institute and punishable under the said Rules and Section 12(1) (a) of the Institute of Chartered Accountants of Nigeria Act Cap 185 Laws of the Federation of Nigeria 1990.

Mr Olusegun Oyebola was suspended for acting without integrity after he failed and refused to substantiate his written allegation of fraud against one Babatunde Ajala, a fellow member of the Institute, when called upon to do so by the Institute's Investigating Panel.

He has therefore committed an offence contrary to paragraph 1.2.0 (a) and (b) and paragraph 1.2.1 of Chapter 1 of the Professional Code of Conduct and Guide for Members of the Institute and punishable under the said Rules and Section 12 (1) (a) of the Institute of Chartered Accountants of Nigeria Act Cap. 185 Laws of the Federation of Nigeria 1990.

Mr Oyebola therefore was suspended from membership of the Institute for six months. He was ordered to return his membership certificate and License to Practice to the Institute forthwith. The suspension period shall start running from the date the certificate and license are returned. However, he is at liberty to re-apply to the Institute's Tribunal for re-admission after the suspension had been served. If Mr Oyebola fails, neglects or refuses to return his certificate, after three weeks of the judgment, his name would automatically be struck out of the membership register.

Examination Malpractice: ICAN Blacklists Three Professional Students

In line with its discipline and zero tolerance for examination malpractices, the Institute has blacklisted three students caught cheating during November 2011 Professional Examinations. The three students are Gbolahan Kayode Ologunro, Olaniyi A. Atere, and Rukayat Bisola Osunniran.

On 15th November 2011, during November 2011 Professional Examinations at Amuwo Odofin Centre, Gbolahan was caught with a piece of paper containing some notes related to Financial Accounting paper he was writing. He was made to write his own statement which upon investigation found him guilty. The exhibit and the invigilator's report are also evidences against him.

Olaniyi was also caught on 16th November 2011, during November 2011 Professional Examinations at Abuja centre, with some notes related to Business Communication and Research Methodology paper he was writing. He was made to write statement which upon investigation found him guilty. The exhibit and the invigilator's report are also evidences against him.

Rukayat was also caught on 16th November 2011, during November 2011 Professional Examinations at Amuwo Centre, with four pages of Management Accounting pathfinder, relating to Management Accounting paper she was writing. She was made to write statement which upon investigation, found him guilty. The exhibit and the invigilator's report are also evidences against him.

After due investigations, the Council of the Institute decided that the three students should be blacklisted and banned from all the Institute's examinations. They were deregistered as candidates and have all the papers taken during the November 2011 diet professional examination cancelled.

INSTRUCTIONS TO AUTHORS

Authors seeking to have their articles published in The Nigerian Accountant are advised to adopt the following guidelines:

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

2. All articles should be typed on standard A4 paper and must not exceed twenty pages in 12points font and double spaced.

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 paper must be properly referenced. The American Psychological Association style is preferable in the following format:

a) **In the text:** 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, eg (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.

Two Hard copies of the paper saved in **Microsoft word** should be sent to the editor white the **Soft copy** should be forwarded to **corporateaffairs@ican.org.ng daajigbotosho@ican.org.ng or dayoajigbotosho@yahoo.com.**

CREATING ENABLING INVESTMENT ENVIRONMENT

FOR MANUFACTURING SECTOR'S PRODUCTIVITY AND REVENUE GENERATION AT STATES LEVEL

By Adams Adeiza

Introduction

Generally, the long-term economic growth and prosperity of any country is critically underpinned by the competitiveness of its industrial/manufacturing sector. No nation can attain the status of development until its industrial sector is effective and globally competitive. Obviously, it is for this reason that developed nations are otherwise called 'industrialized' countries (Mazi, 2010). Manufacturing is a proven route to wealth creation. For example, the wealth and high standard of living enjoyed by the Group of Eight Industrialized Countries (G8) is underlined by the effectiveness of their manufacturing sector which contributed about 25% to their Gross Domestic Products (GDP) in 2010. Conversely, the contribution of manufacturing to the GDP of World's 20 poorest countries was about 9% (on average), and that of Nigeria was about 7.6% in the same year (Olatundun, 2011).

Indeed, a manufacturing sector that is globally competitive is sure to create an enduringly vibrant economic ecosystem, generate high-paying jobs – not only within the sector but also having positive job spillover into other critical sectors, and engender both domestic and foreign investments. More so, manufacturing is simply indispensable for enhanced quality of life. Hence, Ibhadode (2006) argues that how well a people live depends on how much it produces and how much it produces is determined by its level of manufacturing activities. Moreover, a productive manufacturing sector sustains a country's intellectual capital, enhances research and development, propels technological advancements and drive growth and demand for highly skilled and professional workers (Deloitte, 2010).

With manufacturing playing these vital roles in the life of a country's economy and given the fact that at present, there is a heightened global competition among countries to woo investors, there is a need for Nigeria and its constituent states (or regions) to play a key role in building an enduring environment in which manufacturing can thrive. More so, since the landscape of manufacturing dominance is shifting – for example, China, India and South Korea respectively have taken over from the USA and Europe and now dominates the sector at global level, synchronizing government policies with the investment decisions of leaders in the manufacturing sector is essential for Nigeria (or any of its constituent states or regions) to remain competitive and create a positive cycle of growth, prosperity and wealth.

Thus, based on the drivers of global manufacturing competitiveness suggested by Deloitte (2010), this papers suggests a 7-Factor Framework, which if carefully understood and passionately executed, will be instrumental to helping the country and especially its various states to create a sustainable enabling environment for wealth creation and long-term prosperity through manufacturing. The paper also discusses such issues as Investment environmel‹, the Nigerian Economy, the manufacturing sector of the economy, the productivity and competitiveness of the manufacturing sector, current investment environment in the sector, and so on.

The Need for Enabling Investment Environment

Business Investment is simply the practice of putting resources (money, energy, time etc.) into ventures that have been thoroughly analyzed to have a high degree of security for the principal amount as well as security of return within a specified period of time (Wikipedia, 2012). Investment could be undertaken within or outside one's national borders. Investment by multinational companies and individuals from other countries into another is termed Foreign Direct Investment (FDI) - an important part of global capital movement. This investment which aims for the maximization of global profits runs the gamut from funds transfer to a cluster of installation of physical assets for production, production techniques, managerial and marketing expertise, products, services, advertising and business practices.

Arguably, investors everywhere in the world tend to be rational and would only take their resources to areas where they are assured of the safety and likelihood of growth of their investment. Countries that do the best job of creating and maintaining conditions that guarantee investor confidence is well positioned to enjoy the benefits that comes with increased investments from both indigenous and foreign investors. These benefits as enumerated by Bello (2011) include Increased GDP and GNP, employment and income generation for citizens and government, human capital development, stable economy, high growth and sustainable development, promotion of import substitution industrialization, improvement in the credit worthiness of a country, transfer of technology and support good corporate governance practices. With these promised benefits, serious countries are always striving to identify and improve on factors help secure investment.

What makes an investment secured lies in what is called 'investment environment'. This is often referred to as the conditions within which firms operate. These conditions as broadly classified by Mazi (2010) include macroeconomic factors, governance issues and infrastructure. It is argued that the major reason why some wealthy Nigerian and foreigners alike prefer to invest in other countries despite our country's human and natural resources endowments is the fact that for several years, the investment environment in Nigeria has not been favorable and it is in short of investors' confidence. Experts (Bello, 2011; Mazi, 2010; Anyagwu, 2004) have advanced several reasons why investment environment in Nigeria has not been favorable. These reasons include gross infrastructural deficit, lack of adequate power supply, insecurity of lives and properties, high cost of doing business, multiple difficulties in doing business (such as administrative bottlenecks and barriers), weak institutions, high corruption index, multiple taxation, unstable (and sometimes worsening) macroeconomic environment, investment unfriendly justice system and so on.

Although, successive governments in Nigeria have evolved several policies targeted at enhancing the investment environment and raising the operational effectiveness of all economic agents in its domain, it seems that very few of these policies recorded success. Experts often blame this on bad execution and indiscretion of those charged with responsibilities of implementing them (Jean, John, Vijaya, Manju, Gerald and Lan 2002). Thus, it is imperative to stress that if Nigeria hopes to join the league of industrialized countries as being proposed in the National Vision 20:2020, there is an urgent need to be able to not only craft compelling policies on creating enabling investment environment, it is also imperative to develop the necessary disciplines, passion, capacity, structure and control measures to deliver on such an environment. This suggestion is especially very useful to any state that desires to among other important things, improve the standard of living of its people, stem the tide of youth restiveness and insecurity, engender sustainable development and remain relevant in the committee of states.

The Nigerian Economy at a Glance

In the last three decades, the Nigerian economy has undergone several structural transformational policies ranging from the Structural Adjustment Program (SAP) in 1986 through the National Economic Empowerment and Development Strategies (NEEDS) in 2009 to the current Transformation Agenda as well as the National Vision 20:2020. Currently, many policies are being targeted at reforming critical sectors such as banking, agriculture, manufacturing, mining and solid mineral exploration, education, Foreign Direct Investment (FDI), job creation, infrastructural development etc. However, it suffices to say that the country has never been short of policies and programs allegedly aimed at transforming the economy. What has always been our Achilles Hill is inability to get meaningful results from policy implementation. Indeed, we have a checkered history of wonderful policies but woeful results.

Further, the economy is still mono-product with the oil sector contributing about 95% of the country's foreign exchange earnings. As Jide (2010) stated, Nigerian economy depends heavily on the oil and gas sector, which contributes 99% of export revenues, 85% of government revenues, and 18.70% of the Gross Domestic Product (GDP) in 2009.

However, while the oil sector witnessed a decline in terms of contribution to GDP in the fourth quarter of 2011, the non-oil sector recorded some growth albeit marginal. The oil sector contributes 13.54 representing a decline of 1.10% from 14.64% in the same period in 2010 (National Bureau of Statistics, 2012). As presented in table A1 below.

Table A1: Summary of Sectoral Contribution to GDP in 2011 (fourth quarter)

Sectors	2011 (%)	2010 (%)	Status
Oil	13.54	14.64	Declined
Non-Oil of which:	9.07	8.93	Grew
Telecommunication & Post	36.31	36.19	Grew
Agriculture	5.74	6.08	Declined
Finance and Insurance	3.22	3.43	Declined
Real Estate	11.01	11.22	Declined
Manufacturing	7.50	7.67	Declined
Business & other services	9.81	8.51	Grew
GDP for the Year	***7.68***	***8.60***	Declined

Source: National Bureau of Statistics, 2012

As can be seen from the above table, the key drivers of the economy was the Non-oil sector with such sub-sector as Telecommunication and Post recording the highest growth at 36.31%. It is also clear from the above table that the manufacturing sector is among those that experienced a decline in contribution to GDP. The argument for the manufacturing sector's decline is the fact that there was inadequate supply of electricity for manufacturing activities across the country during the period (National Bureau of Statistics, 2012).

Moreover, at present, the state of the economy is quite difficult to predict. This is due to the fact that in every article you read and every news report you hear today, there are both good and bad news about the economy. A cursory look at some macroeconomic indicators confirms this. While the economy is said to be the third fastest growing in the world, the rate of poverty (about 68%) and youth unemployment (about 23%) in Nigeria is among the highest when compared to its contemporaries (National Bureau of Statistics, 2012). GDP is 7.68% - a decline from 8.60% in the previous year (2010), Inflation (year-on-year) currently stands at 11.9%, lending rate (officially) averages at 17.9% (CBN, 2012 and National Bureau of Statistics, 2012) while Excess Crude Account (ECA) is depleted to \$3.6 billion from \$20 billion (Agande, 2012). More worrisome, inflow of FDI continues to nosedive as the investment environment and security situation worsen. As if all these negative statistics were not enough, the CBN Governor - Mallam Sanusi Lamido Sanusi recently admits that consumers' purchases as well as confidence have taken the turn for the worse owing to recent increases in fuel prices and other items.

However, while the above statistics largely paint a gloomy picture of the economy, there is some good news to cheer about. First, the country's external reserves remain relatively strong, standing at $36,048,849,505.6 (CBN, 2012). Secondly, the non-oil sector which has suffered serious neglect for years put up a strong showing in growth. The sector grew by 9.07% higher than the 8.93% recorded at the same period (Q4) in 2010. Thirdly, Per Capital Income has increased from $1,200 in 2010 to $1,400 in the fourth quarter of 2011 (National Bureau of Statistics, 2012). More so, the ongoing reforms in the banking sector are already yielding some positive results as depositor's confidence has been restored and productive alliances have been engendered and forged for better and superior services especially to the real sector.

The Manufacturing Sector of Nigeria: An Overview

It is no longer news that the major source of economic growth for any nation is manufacturing. In the development process, the manufacturing sector is considered critical as it is expected to absorb excess agricultural labour released from the rural environment (Ogunrinola and Osabuohien, 2010). 'Essentially, the process of modernization and development commence when a country undertakes effort to move away from primary sectors to manufacturing and service sectors' (Sagagi, 2007:4). Thus, it is safe to say that if any state in the federation desires to develop and create prosperity for its people, it must as a matter of fact, create an environment where manufacturing activities are facilitated and supported to grow.

Structurally, across the Manufacturers Association of Nigeria (MAN)'s classification of the sector into large, medium and small scales, the following sub-sectors or groups exist in the Nigerian manufacturing industry: Food, Beverages & Tobacco; Chemical and Pharmaceuticals; Domestic and Industrial Plastic and Rubber; Basic Metal, Iron and Steel and Fabricated Metal Products; Pulp, Paper & Paper Products, Printing & Publishing; Electrical & Electronics; Textile, Wearing Apparel, Carpet, Leather & Footwear; Wood and Wood Products Including Furniture; Non-Metallic Mineral Products; Motor Vehicle & Miscellaneous Assembly (Jide, 2010)

Although Nigeria had a long history of productive manufacturing sector with Lagos, Kano, Ibadan, Kaduna, Warri and Port Harcourt being the major hubs of manufacturing activities, however, the fortune of the sector in the last three decades have dwindled. It is obvious that the growth, performance and productivity of Nigeria's manufacturing sector at present has taken the turn for the worse and the sector no longer plays the key role it played to propel the economy about three decades ago (Ku, Mustapha and Goh, 2010). According to the Manufacturing Association of Nigeria (MAN) in 2009, about 850 manufacturing firms either permanently closed shop or temporarily halted production in the last 8 years, rendering thousands jobless and causing serious multiple ripples across several sectors of the economy (Mazi, 2010 and Sangosanya, 2011). The conditions of the sector from 2009 till date can only have gotten worse given the fact that the much needed enabling environment of power, access to long term credit, infrastructures, technology, favorable tax regime, security etc. have all gotten worse. Capacity utilization in the sector over the last five years has been anything but encouraging averaging at about 50% just as demand for home manufactured goods has flattened as imported goods which are cheaper and of slightly higher quality are more patronized (Corporate Nigeria, 2012). Well, according to Ladeinde (2011), the fact that most Nigerians still prefer imported goods is partly because of perception but the truth remains that most locally-made goods do not measure up to minimum acceptable quality standards. Still some other people believe that poor quality of our manufactured goods is not really the problem, after all there are many 'poorly made in China' goods that are highly patronized by Nigerians. To this people, the problem lies in the fact local manufacturers lack the necessary dexterity and capacity to promote and effectively distribute their offerings.

Challenges Confronting the Manufacturing Sector

Although solutions to revitalize the sector for maximum productivity has remain a mirage, the major problems bedeviling the manufacturing sector of the Nigerian economy are well known. They include inadequate supply of power to run the factories which often lead to high cost of production as manufacturers are left to provide their own electricity, supply their water and other infrastructural facilities. A few days ago, I met a man called Mallam Abubakar. This man has been manufacturing leather bags in Kano for more than fifteen years. He said that in all the fifteen years of his operations, even though it has never really been like a utopia, he has never had the problem of electricity as much as he experiences today. As a result of this, he had no choice but to lay off 60% (about 65 workers) of his workforce and delve into more of distribution. Secondly, globalization has posed serious threat to the sector as finished goods from all over the world which have much more favorable cost of production are allowed to come in and compete with the expensive local goods. The end result is that market is taken away from the local manufacturers who are faced with multiple competitive disadvantages.

The third major challenges confronting the sector is the fact of multiple taxations imposed on the players by the different tiers of government. 'There are several forms of taxation from the federal, state and local governments. Sometimes, manufacturers are compelled to pay many illegal taxes to touts and other types of extortionists and all this adds to the tax burden on manufacturers' (Mazi, 2010). Another key problem is the fact that capacity utilization in the sector today is that at the lowest ebb. A walk through the major industrial areas like Bompai, Challawa, Sharada and so on in Kano for example will reveal the pathetic situation of idle machines, materials and workers. Indeed, this is a gross underutilization of resources. This has led to a situation whereby capacity utilization rate in the manufacturing sector in Nigeria is between 30 and 40 per cent (Mazi, 2010 and Ibhadode, 2006). Some of the factors being attributed to this worrisome capacity situation include frequent power outages, lack of funds to procure inputs, fallen demand for manufactured goods and frequent strikes which involve lockouts of workers and their employers (Alao, 2010). Other problems include huge infrastructural deficit, persistent rise in inflation, low growth rate, poor state of technology and so on.

Productivity and Competitiveness of the Nigerian Manufacturing Sector

Many experts agree that one of the sure ways to improved standard of living and boost economic activities in any economy is by raising the level of productivity of its manufacturing sector. According to Alao (2010), many economies have been pulled out of recession at one time or the other simply because they formulated and implemented effective productivity initiatives. For example, Anyagwu (2004) believes that from the end of the World War II and from the 1970s, Japan and the United States of America respectively have made high productivity the epicenter of their economic planning and apparently the results have been rapid development and improved standard of living for their citizenry. Countries like Hong Kong, South Korea, Singapore, the Philippines, India, Mexico and Brazil who are doing enviably well in the management of their economy have embraced several initiatives to boost productivity and today they are prominent in the global industrial markets.

By definition, productivity is simply the relationship between inputs and output in a production system. The lower the amount of inputs used in the production of a given amount of a particular output within a specified period of time, the higher the productivity of the system and vice versa. It is about the effectiveness and performance of individual firms in a particular industry (Adejugbe, 1994). In terms of measurement, several different metrics have been used by researchers and practitioners. However, most recent researches have used such metrics as annual growth rate in manufacturing production, capacity utilization rate and the sectors contribution to the gross domestic product (GDP) as measures of productivity.

Sadly, the productivity of the Nigerian Manufacturing sector over the last two decades has been anything but improving. Although the sector recorded a satisfactory growth from 1970 to 1980, things took the turn for the worse from 1983 especially immediately after that year's collapse in the international oil prices (Adenikinju and Chete, 2002). Anyagwu reports that studies conducted during 1989 revealed that, on the average, there was marginal rise in productivity. He also reported another study on food and basic metal industries which found that only 30 per cent of respondents (manufacturers) indicated increase in productivity. About 11 per cent recorded no growth, while more than half, 57 per cent, recorded declining productivity levels. Similarly, just recently, Manufacturers Association of Nigeria (MAN) confirmed that the general trend in productivity in the industry in the last 20 years is negative (Mazi, 2010).

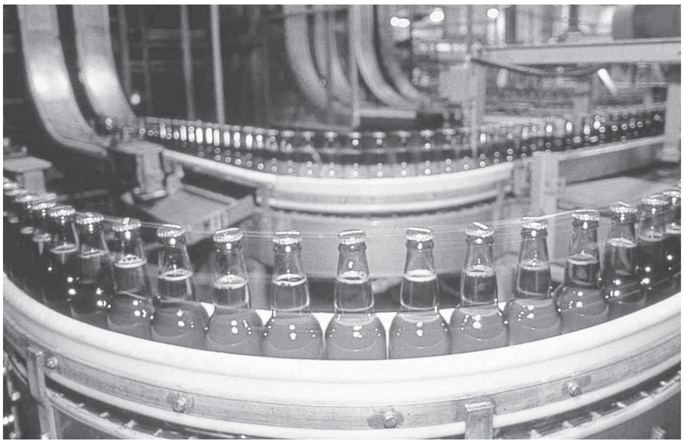
In terms of its ***global competitiveness***, the Nigerian economy in general can be said to be a failure and the manufacturing sector in particular does not have the credentials to be admitted to a test of global competitiveness. Hence, the sector is nowhere to be found on the world map. Relative to her resource endowments and peer nations, the Nigerian manufacturing sector and indeed the economy have grossly underperformed (Lamido, 2010). The 2011-2012 World Economic Forums' global competitiveness report put Nigeria in 127th position out of the 142 countries surveyed while Deloitte survey of 2010 does not list Nigeria among the countries that will be in the top 26 globally competitive manufacturing countries in the world in the next five years. Nonetheless, the later survey put China, India and South Korea respectively as the top three most competitive countries in manufacturing in the world. South African - the only African country on the list, occupies the 22nd position and she is projected to move up to 19th position in the next five years. Worse still, the Central Bank Governor - Sanusi Lamido Sanusi recently said:

'Compared with the emerging Asian countries, notably, Thailand, Malaysia , China, India and Indonesia that were far behind Nigeria in terms of GDP per capita in 1970, these countries have transformed their economies and are not only miles ahead of Nigeria, but are also major players on the global economic arena. Indeed, Nigeria's poor economic performance, particularly in the last forty years, is better illustrated when compared with China which now occupies an enviable position as the second largest economy in the world. In 1970, while Nigeria had a GDP per capita of US$233.35 and was ranked 88th in the world, China was ranked 114th with a GDP per capita of US$111.82'.

One may ask the question: where did we go right?

Creating Enabling Investment Environment in the States' Manufacturing Sector: The 7-Factor Framework

Given the intense rivalries among countries of the world (and in recent time among states of the federation) to woo investors and the enormous challenges of rising unemployment, rising poverty, rising crime rate and general insecurity, dwindling revenues and so on being confronted by the country – Nigeria and its constituent states, efforts or initiatives aimed at reinvigorating the economy, especially the manufacturing sector which has the potentials to significantly transform the country, must be intensified. Central to these efforts will be the creation and maintenance of an environment where both local and foreign investors are supported and protected to thrive. To this end, we recognize that the country and some of the constituent states have at one point or the other formulated policies to address this issue of enabling investment environment. Some of these policies are in form of incentives such as tax waivers or tax holidays, import duties exemptions on manufacturing inputs, creation of free trade zones or areas, special financial interventions (like the CBN N200 billion Manufacturing Intervention Fund, the Textile Industry Intervention Fund, the Agric Intervention Fund and so on), creation of Industrial Areas and Clusters and so on. While some of these initiatives are quite new and the impact yet difficult to measure, it is instructive to state that in terms of philosophies, objectives and intended modes of implementation, these new policies in themselves are not very different from the failed ones implemented in previous dispensations. The dismal failures of these earlier policies is often blamed on poor conception and design, lack of coordination among the various tiers of government on the one hand and between policy-makers in the private and public sectors on the other hand, corruption, mismanagement, impact of globalization, macroeconomic instability and so on.



Given this history, it has become clear that meaningful results in terms of creating enabling investment environment at all levels to attract both local and foreign investors cannot be achieved until new approach to looking at the problem and potential solutions is adopted. Therefore, the ***7-Factor Framework*** which is derived from the Deloitte drivers of global manufacturing competitiveness is suggested. Unlike many of the previous perspective, this framework places responsibility for creating enabling investment environment on both the players in the industry and respective government. Figure A1 below illustrates.

The Model as illustrated above contains 7 critical factors that must be present for there to be an enabling manufacturing investment environment (and as a consequence, manufacturing competitiveness). These factors interact to shape and design the investment environment in the manufacturing sector. Everything being equal, the higher the available and quality of the factors, the more supportive the investment environment for manufacturing and of course the more competitive the sector. The model places responsibilities on both the players in the sector individually and collectively through the umbrella body - MAN and the respective state governments to take appropriate and well coordinated actions that will make investing in the sector to be attractive to both local and foreign investors. Each factor is briefly explained thus:

Talent - driven innovation: it is instructive to remind the players in the manufacturing sector as well as the relevant government that the critical driver of efficiency, superior performance and competitiveness today is innovation. And the drivers of innovation are the availability and quality of human capital. Over the years, minimal emphasis has been placed on the power of qualified and talented workforce and this has led to a situation where the quality of work is dismal and short of efficiency. While there is abundant human capital in various states and across the nation, there is the need to make recruitment process more disciplined, and targeted at hiring only those that are best suited to work to be performed. Government must help provide educational system that is functional and is capable of producing both skilled and semi-skilled labour for the industrial sector. For instance, it is no surprise that India which has 30% of the world's engineers and over 350,000 qualified engineers graduate every year out of effective 1,346 Technical institutions in India (Elecrama, 2012) ranks 2nd in the Deloitte's 2010 global manufacturing competitiveness.

Cost of labour and materials: The general cost of labor - costs of recruitment, training and development, and employee benefits along with the total cost of material inputs which include logistics costs and material availability - are a major driver of manufacturing competitiveness (Deloitte, 2010). It is important for manufacturers in the country to seek for and exploit new technology as well as innovative production techniques and global best practices that will help achieve the much needed efficiency in the use of critical inputs like labour and materials. The adoption of such breakthrough

Figure A1: The 7-Factor Framework for Creating an Enabling Manufacturing Investment Framework production techniques like Just-In-Time, Lean Manufacturing and so on has revolutionized such manufacturing giants as Toyota and a host of others.

Energy availability, cost and policies: Availability and adequacy of energy such as electricity and industrial fuel is critical to creating enabling investment environment needed for manufacturing productivity. The current state of electricity in the country is nowhere close to what is needed to attract investment into the manufacturing sector. More so, efficiency in the use of energy and exploration of alternative energy source is yet another critical area that players in the sector must pay attention to. In particular efforts towards adoption of clean energy for production as is being pursued by such manufacturing hubs as China and India, should be intensified. Also, government needs to be proactive and evolve effective policies on energy usage that further strengthen and support the sector for the long-term.

Economic, trade, financial and tax systems: The overall investment environment and competitiveness in any country's manufacturing sector is critically underpinned by policies on trade, capital market and tax system. The more open the trade policies are; the more robust the capital market is and the more encouraging and transparent the tax system is - the more enabling the investment environment for manufacturing. At present, Nigeria and some of its constituent states have a burdensome, nontransparent, multiple and inappropriate regulations and tax policies coupled with an unstable macroeconomic conditions as well as scandalous capital market.

Indeed, for the nation and states to have a short at a thriving and attractive industrial sector, there is a need to overhaul the current system and come up with appropriate regulations and policies on corporate taxes, trade, central banking, and effective financial systems that foster the necessary business climate.

Quality of infrastructural facilities: The dismal state of infrastructural facilities such as good road network, quality telecommunication facilities, efficient transportation system, port facilities, etc has created a situation where goods manufactured abroad come to Nigeria with a 25% cost advantage for the same category of goods locally. Nigerian locally-made goods cost 25% higher (Mazi, 2010). 'An efficient transportation infrastructure plays a vital role in logistics - moving raw materials and finished products on time and with minimum costs. State-of-the-art grids and networks play similar roles in moving energy and information. Uninterrupted availability of power supply is an imperative for a manufacturing industry to thrive in any country. And, in today's networked world, a robust communications network is critical. It helps businesses to communicate across geographies on a real-time basis, which improves efficiency and aids faster decision-making, faster time-to-market, and more robust customer service' (Deloitte, 2011:9). Therefore, to attract investors into the country, Nigeria and its constituent sates must use its resources judiciously, invest in top-notched technology and rebuild the infrastructure (Lamido, 2010).

Government investments in manufacturing and innovation: In order to foster innovation, knowledge creation and dissemination and make strong impact on the long-term competitiveness of the country and its states in manufacturing, investments in the areas of science, technology, and engineering - including the establishment and support of research institutions; the provision of technological support for manufacturers; and the development of functional local manufacturing clusters are urgently needed. The provision of this must go beyond the usual lip service hitherto and be carefully monitored to ensure delivery.

Legal and regulatory system: Unfortunately, at present, there are cumbersome, complex, inconsistent, duplicitous and sometimes irrelevant laws and policies at both federal and state levels that have constituted a snag on the efforts to attract investors to the manufacturing sector of the country. For example, the current fiscal responsibility laws that subject manufacturers to multiple tax regimes and the accompanying cost incurred trying to satisfy various tax agencies needs to be done with. The major problem here is not really the amount of taxes manufacturers are being pressured pay. It is the amount of valuable time and resources often wasted attending to calls by multiple tax agencies. An arrangement could be worked out whereby only a single agency is responsible for collecting taxes from the manufacturers and then subsequently distribute to the various tiers of government as appropriate. 'There are also the policies of the land use charge and other laws that allow the state government to earn income from property. But what has been noticed is that, in some states, the cost of registering a property is becoming almost half the cost of buying that property and that in itself is a disincentive for both manufacturers and investors in the environment' (Mazi, 2010:2). Also very important is the need for Labor laws which will protect the interests of both employees and employers and allow for flexibility in the deployment of labor.

Final Notes

Instructively, it must be stressed that the success of this model rests on a number of things. Generally, efforts must be properly coordinated between the federal and state governments towards having a more favorable and stable macroeconomic environment. This may require that the current improvement in the non-oil sector is consolidated and sustained. More so, there is a need for cooperation and targeted coordination between the federal and the various states that chose to apply the model. This is because of the fact that both federal and states investment promotion initiatives often overlap and the only way to prevent policy overlap from hurting the system is effective communication. Further, there a need for an effective and ongoing Public-Private Dialogue Framework that will engender mutually beneficial cooperation and sharing of timely ideas and information for the success of the Model, and lastly, an effective, disciplined and regular monitoring and evaluation mechanisms for tracking progress in the implementation of the Model and taking of immediate corrective actions where necessary are needed.

Conclusion

Bye and large, the basic reason why China attracts the highest percentage of FDI today is the fact that she provides all investors in the world with excellent environment for investment, production and operation (Anonymous, 2012).

According to Engr. Mustapher Bello, the Executive Secretary of the Nigerian Investment Promotion Council (NIPC), Malaysia has been able to turn around its economy to an enviable level as a result of elimination of challenges hindering doing business in the Country. South Korea, Brazil Poland, Republic of Ireland and even our sister African country - South Africa have in the same vein done excellently well in attracting investment into their economy and particularly their manufacturing sector due to their passionate efforts at employing best practices aimed at creating enabling investment environment.

Thus, in order to understand the global competitive landscape in manufacturing and make informed decisions regarding how to create and sustain enabling investment environment, policy-makers need as many tools as available. Hence, in the foregoing discussion, I have suggested and explained a framework derived from the Deloitte's Drivers of Global Manufacturing Competitiveness. It is hoped that if this 7-Factor Framework is carefully understood, applied and combined with genuine efforts at improving the management of the economy, improvement in governance, marshalling of political will to fight corruption, raising efficiency in use of public resources by the various states of the federation as well the country at large - there is sure to be economic transformation driven by competitive manufacturing sector that will provide enhanced standard of living and prosperity for all ■

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AGRICULTURAL RESOURCE TAPPING AND UTILIZATION

FOR STATE'S ECONOMIC DEVELOPMENT: THE ROLE OF THE CHARTERED ACCOUNTANTS

By Ahmad Muhammad Makarfi

Synopsis

Agricultural resources tapping and utilization have been the bedrock upon which all the powerful world economies were build. Economies prospered to higher levels of development based on their ability to harness, exploit and utilize their resources in a systematic way: employing knowledge, skills, technology and purposeful leadership. The Nigerian economy is one such example where the agricultural sector provided all the foods, feeds and fibre needs of the nation at Independence in 1960, generated over 90% of foreign exchange from agricultural exports, provided raw material for industrial growth and provided employment to over 85% of Nigerians. Agricultural sector remained the dominant contributor to the gross domestic product until the discovery and exploitation of crude oil. The situation changed as the relative contribution of the sector has been on the decline as witnessed in mounting food import bills, closure of local industries/factories, unemployment, unstable food prices and the worsening socio-economic status as well overall security of the citizens. Professionals like the chartered accountants have a unique role to play in reversing this trend and restoring confidence in the leadership of both public and private sector institutions as well provide guidance on better management of the enormous resources available in our midst, for Nigeria's economic recovery and growth.

1.0 INTRODUCTION

Agricultural resources are components of the earth resources exploited by mankind for our survival on earth. They include all what is on the earth surface, beneath and above the surface. Specifically, resources include the vast land, oceans, the atmosphere and what is contained in them among the directly visible and invisible types which contribute to make the earth a worthy habitat for human existence and survival. The tasks ahead is to review briefly what resources have been tapped and utilized and what role professional accountants could play in advancing agricultural growth and development in Nigeria.

To appreciate the scope of the issues involved, it may be useful to review the performances of the sector: past, present and its prospects in the future to enable us understand agricultural sector's role and achievements, difficulties and potentials and what they portend for career professionals like chartered accountants in its future development. In the next section a brief review of the role(s) of the sector in economic development is undertaken, section II examines the current situation particularly with regards to opportunities in the sector while section III projects the future challenges posed to the sector in sustaining its current roles with specific reference to the accounting profession. The last part concludes the paper along with our recommendations. It is hoped that this approach will assist to unravel the level of 'tapping/exploitation" and the potentials that exist in the sector. Equally we will explore how accountants and other stakeholders could take advantage of the opportunities therein for our common good.

1.1 Definitions

In Nigeria, the earth resources will include the naturally occurring factors/substances within its territory. For our definition, we are referring specifically to the agricultural resources that include agro based resources such as Sorghum, millet, rice, groundnut, maize, cocoa, cassava, Rubber, palm trees and forest products, fish, sugar cane, raffia palm, soybean, sesame, livestock including poultry, cashew, mango, gum Arabic, wheat, tomato fruits and vegetables among several other crop and livestock products that are produced using the land, labour capital and management of Nigerians. These products of agriculture have been produced, processed and consumed locally or exported to other countries with the benefits accruing to Nigerians.

Land tenure in West Africa is defined as the system of land ownership or acquisition by individual, family, community or government agency either for temporary or permanent use. The system varies from tribe, community and state. It can be classified into a number of groups but we will use it to mean communal land tenure: a situation where land belongs to the entire community. Every member of the community has the right to use the land for agriculture, but cannot sell any portion of it.

Communal land tenure: a situation where land belongs to the entire community. Every member of the community has the right to use the land for agriculture, but cannot sell any portion of it.

Inheritance land tenure; land is inherited from one's parent or from one generation to another. In Nigeria, land for agricultural activities is mainly acquired through inheritance because the owner has complete freedom on the land.

Leasehold System; this requires the payment of certain amount of money for the use of the land over a stated period of time.

Rent land tenure; this system allows for a farmer to rent a land for use over a short period of time during which certain amount of money is paid as rent for the use of it

Land tenure by purchase or freehold; an outright purchase of land for agriculture. Land tenure by free gift or pledge; land given as gift.

Individual land tenure; land belonging to an individual through either freehold ownership or rent tenancy. Tenancy at the will of government

2.0 PERFORMANCE OF THE AGRICULTUTRAL SECTOR

2.1 Role of the agricultural sector in economic development

Perhaps, the oldest occupation known to mankind is agriculture: the set of activities that provide man and his animals with food for nourishment, clothing and shelter to survive and protect against the harsh environment. Over the period agriculture continued to perform these basic roles to meet basic needs of mankind and his stocks: the provision of food, feed and fibre; generating employment, raw materials for industrial growth and providing market for finished goods of industry, among many others.

The agricultural sector's role of providing food requires that it uses inputs produced by the industrial sector which it combines with labor provided by the citizens, to produce different kinds of food and raw materials. In terms of employment generation therefore, agriculture is by far the most important sector of Nigeria's economy, engaging over 70% of the labor force and serving as the reservoir for the supply of skilled and unskilled labor to the industrial sector.

According to Famoriyo (1992), Ijere (1998), and Idachaba (2006) since colonial period small scale farmers have supported the food and raw material needs of Nigerians and significantly generated foreign exchange from export of agricultural commodities to achieve growth rates of 2-3% per annum. Until the advent of the oil era in the early 1970s, very little food imports were registered even after Independence in 1960. Further, agriculture remain the main contributor to GDP(over 60%) with over 70% of the populace residing in the rural areas though, living below the poverty line but with agriculture as the main occupation.

In addition, export of agricultural products yield considerable sum of money in foreign exchange which is available for the import of goods and services for the growth of the economy. Considering the value addition occurring within the sector, multiple employment generation has been achieved. This role was sustained for over a decade after Independence but gradually declined as a result of oil boom and the failure to successfully drive the economy along desired directions by successive managers of Nigerian nation. The sum total of these actions and inactions is that Nigerian agriculture slid from food self sufficiency, net earner of foreign exchange (from non-oil exports), major contributor to GDP, supplier of raw material for domestic industries to a net importer of food and raw materials (net import bills in excess of US$5.0 billion annually), minor contributor to GDP and slow rate of growth (below rate of population growth of 2.5-3.0 % per annum).

2.2 Review of the Nigerian Agricultural Sector

The primary role of agriculture (including hunting, forestry and fishing) continued to contribute but at a declining rate to Nigeria's economic growth from an estimated 60% of Gross Domestic Product (GDP) at Independence in 1960 to less than 50% today. In fact, this share declined further to only about 25% between 1975 and 1979 but increased to 32% in 1998. This was due partly to the phenomenal growth of the mining and manufacturing sectors during the period and partly as a result of the disincentives created by the macroeconomic environment. Further, an estimated 35.2% of the labour force was employed in the sector in that year. According to World Bank estimates, agricultural GDP increased at an annual rate of 2.9% in 1990-98. With rapid population growth estimated about 2.5 to 3.0 per cent per annum while growth in food production estimated at less than 1% over the period, it is clear why Nigeria continue to increase its food imports in order to meet up with domestic food needs World bank,2001)

The sector remains the largest contributor to the Nigerian economy, accounting for over 38% of the non-oil foreign exchange earnings, and employing about 70% of the active labour force of the population. Although, the sector has suffered much neglect by the Federal Government since the discovery of oil in commercial quantity in 1958, but its relative importance to the Nigerian economy continue to be very high.

As with many developing countries where subsistence farming dominates, agricultural holdings in Nigeria are generally small and scattered and threatened by traditional systems of land use rights succession arrangements; these small farms often produce about 80% of the total food. About 30.7 million hectares (76 million acres), or 33% of Nigeria's land area, are under cultivation. Nigeria's diverse climate, from the tropical areas of the coast to the arid zone of the north, make it possible to produce virtually all agricultural products that can be grown in the tropical and semitropical areas of the world. The economic benefits of large-scale agriculture are recognized, and the government favors the formation of cooperative societies and settlements to encourage industrial agriculture. Large-scale agriculture, however, is not common. Despite an abundant water supply, a favorable climate, and wide areas of arable land, productivity is restricted owing to low soil fertility in many areas and inefficient methods of cultivation.

The agricultural products of Nigeria can be divided into two main groups: food crops, produced for home consumption, and export products. Prior to the civil war, the country was self-sufficient in food, but imports of food increased substantially after 1973. Bread, made primarily from US wheat, replaced domestic crops as the cheapest staple food for much of the urban population. The most important food crops are yams and manioc (cassava) in the south and sorghum (Guinea corn) and millet in the north. In 1999, production of yams was 25.1 million tons (67% of world production); manioc, 33.1 million tons (highest in the world and 20% of global production); cocoyams (taro), 3.3 million tons; and sweet potatoes, 1,560,000 tons. The 1999 production estimates for major crops were as follows (in thousands of tons): sorghum, 8,443; millet, 5,457; corn, 5,777; rice, 3,399; peanuts, 2,783; palm oil, 842; sugar cane, 675; palm kernel, 565; soybeans, 405; and cotton lint, 57. Many fruits and vegetables are also grown by Nigerian farmers.

Although cocoa is the leading non-oil foreign exchange earner, growth in the sector has been slow since the abolition of the Nigerian Cocoa Board. The dominance of smallholders in the cocoa sector and the lack of farm labor due to urbanization hold back production. Nigeria has the potential to produce over 350,000 tons of cocoa beans per year, but production only amounted to 145,000 tons in 1999. Rubber is the second-largest non-oil foreign exchange earner. Despite favorable prices, production has fallen from 155,000 tons in 1991 to 90,000 tons in 1999. Low yield, aging trees, and lack of proper equipment have inhibited production.

Agricultural exports (including manufactured food and agricultural products) decreased in quantity after 1970, partly because of the discouraging effect of low world prices. In 1979, import of many food items were banned, including fresh milk, vegetables, roots and tubers, fruits, and poultry. The export of milk, sugar, flour, and hides and skins were also banned. During 1985–87, imports of wheat, corn, rice, and vegetable oil were banned as declining income from oil encouraged greater attention to the agricultural sector. In 1986, government marketing boards were closed down, and a free market in all agricultural products was established. In 2001, agricultural exports totaled $323.5 million. Exports of cocoa beans that year totaled $210.4 million; cotton lint, $21 million.

2.3 Value Chain developments

To appreciate the volume of potential investment in Nigerian Agriculture it is useful to briefly explore the commodity value chain developments for select agricultural products and the business opportunities attached to them. Consider the main export commodities produced in Nigeria like cocoa, rubber, cotton, groundnut, hides and skins, sesame and sheanuts. The major development is the value additions taking place in the sector in which crop and livestock products are no longer exported raw, rather value addition is embarked upon. Cocoa is now processed into cocoa beans, cocoa butter, chocolate and so forth, skin and hides from wet blue to finished leather, cotton processed into cotton lint and seeds, groundnut into groundnut cake and groundnut oil before local consumption or export. Clearly this has opened up more opportunities for establishment of agribusinesses along several commodity value chains as well facilitated better business linkages between producers, processors and distributors and consumers. Similarly, food crops like sorghum, maize, rice and cowpea are processed into many products and consumed locally. Many processors of various capacities have been set up by independent business firms to transform the raw commodity into different forms, sizes and distributed to various locations within and outside the country. The result is consumers are reached through an efficient channel of product distribution across Nigeria. With suitable infrastructure in place such products could compete with products imported into the country effectively.

According to CBN by 2010 non-oil exports have reached over US$ 2.3 billion in foreign exchange earnings. It comes from products like cocoa, hides and skin, sesame, cotton lint, pepper, cassava and rubber and so forth and the demand for them is on the increase across the globe. Nigeria still produces over 45million metric tons of cassava and is the largest single producer in the world accounting for 19% of the world total output in 2009 with increasing demand for the product. These provide a unique opportunity for entrepreneurs.

2.4 Public sector investment in the agricultural sector

Given these opportunities and the clear potentials the sector holds, has it attracted the required investment it deserves? Is Nigeria learning from the errors committed in the past? While stakeholders continue to call for stepping up efforts to increase investment into the sector, how much improvement is registered so far? Of course increases have been registered as a result of combined interventions by Government, International and National NGOs, Agribusinesses, Farmers as well as other relevant agencies but they are far behind optimal level. In the early 1970s and 80s Governments at National, State and, to limited extent, Local levels paid more attention. For instance, Federal Government intervention established the Accelerated Food Production Program(NAFPP), Agricultural development projects(ADPs) , River Basin Development Program (RBDA) Operation Feed the Nation(OFN) and the Green Revolution program (GRP) in select Local Government areas/States to national programs. The impact of these interventions were mixed with some proven to drastically increase food production and export while others ended to be 'white elephant projects'. Subsequent interventions however tend to emphasize more of indirect approaches through changes in fiscal and monetary policies and improved access to finance for commercial farmers while reviewing incentive components of many of the programs. Little impact was however, registered as a result of these measures.

Overall however, concerns have been expressed by National and International institutions over the low and slow rate of investments by both Public and private sector in the agricultural sector. Unlike events in developing countries like India, Bangladesh, China, Thailand among many others, where the sector attracted investing of more than 20-30% of their annual national budgets on the consistently since Independence in the early 1960s, Nigeria has remained among the poor investors at 1-5% of their country's National budget. The risks of failure to achieve the Millennium Development goals among such countries are high and imminent as the current level of investment could impair the realization the provision of goals.

It is noteworthy that the FGN, in an effort to rejuvenate the sector, it continues to offer a package of incentives for will-be investors. They include according 'pioneer status' to investments in agro allied sector which will entitle them to 7 year tax holiday,50% capital allowance on plant and machinery and 1% tax as import duty on machinery. This is in place since 2001 which was implemented religiously during President Yar'aduwa regime.

3.0 Challenges facing Nigeria's Agricultural sector

From the foregoing it is clear that there exist a large gap between the demand for food, feeds and fiber and the domestic supply of these agricultural products. Similarly there is a big challenge for growth in the export sector. At the producer levels supply of key farm supplies in forms of high yield seed varieties(HYV) along with quality breeding stock on a continuous basis, fertilizers, agrochemicals, energy supplies to improve farm power, credit access and the critical element of research, development and extension are required to support growth in the sector. Trained manpower and business entrepreneurs are required to provide the necessary support at all levels: unskilled, skilled, middle and high level manpower. These are in short supply in Nigeria. Fewer parents and students are interested in reading agriculture. Only a handful of scientist exist to make green revolution possible in Nigeria because there are too few breeders, agronomists, animal scientists, agric engineers, soil scientists and so forth. Farmers continue to encounter difficulties gaining access to more land, finance, better seeds and breeds, and reliable markets for their produce.

Similarly, at processing and marketing stages, value addition on the products of the farm that will involve transformation of the product and distribution in suitable form and time as required by consumers; marketing and advertising, transporting, refrigeration, storage, packaging and shipping might be required to urban consumers or to international buyers. All these require suitable machinery and equipment as well as enabling business environment to be identified and provided by stakeholders. Herein again are opportunities for technology generation, provision, testing, marketing and evaluation on a continuous basis to meet the needs of over 160 million Nigerians as well as foreign clientele. Sources of credit to facilitate acquisition and use of the new technology are not timely available to value chain actors to meet up with the challenges of the market.

To cope with ever changing sophistication in the market place, quality standards of business products for both domestic and international consumption must be reviewed and continuous research and development must be adopted to keep pace with consumer demands. This implies that use of suitable varieties and other inputs must be selected based on mutually agreed terms between producers and agribusiness which translates into partnerships, contracts production and continuous business linkages all along the various value chains. It is obvious that only the well informed and committed businessman could make a success of this but we must start somewhere, now.

3.1 Opportunities in the Agricultural Sector

Numerous opportunities exist in the agricultural sector. This is apparent from the wide gaps between supplies and demand of key food, feeds and fiber commodities utilized in the economy. For all arable crops demand is ever on the rise, tree crops are grossly inadequate. With the right technological base, investors can get good return on investments in livestock and fish production which studies have shown to be viable, storage facility services is another unexplored area, efficient distribution network, oil palm products – palm oil, palm kernel cake, cooking oil, vegetable ghee, shortenings, margarine, CBS, CBE, ice cream, dough, creaming, coating and other specialty fats -, food processing is still under-utilised especially the exportation of Nigeria's local delicacies and food stuffs – beans flour, yam flour, fufu flour, poundo yam flour, cassava flour, plantain flour, melon, ogbono -, also sea foods either dried in whole or blended – shrimps, crayfish, crabs etc, mechanized and plantation farming and cash cropping in cocoa, groundnut, rubber, cotton and timber are also area for exploration.

Nigerian population is about 160 million as at 2006 and grows at an average rate of 2.5% annually. This offers a stock of potential managers, skilled labor and large proportion of farming population currently put at 70% of the total population. The bulk of the population is youth (61% under the age of 15 years).In addition, Nigeria enjoys a favorable climatic condition with abundant rainfall which diminishes in length of period for the wet season from South to North which Temperature tend to increase as we move up North. It is well spread with certain areas receiving 9 month of rains and up North getting about 3-4 month. Sunshine is abundant for most of the year especially in the less cloudy northern states. These weather changes lead to variety of production possibilities and unique opportunities for the production of all agric products across the country.

Nigeria's total land area is 92.4million hectares. Of this area 91 million hectares is adjudged to be suitable for cultivation. Approximately half of this cultivable land is effectively under permanent and arable crops, while the rest is covered by forest wood land, permanent pasture and built up areas. Among the States which have the most abundant land areas are Niger (7.6 million hectares) and Borno (2.8 million hectares).

4.0 The role of the chartered accountant

Clearly the role of the professional accountant in this context could be viewed from a number of perspectives:

- As professionals you are the custodians of records as to the performance of the economy in the public and private sector; timely and periodic review of the performance of the economy from your professional institutions can make significant impact on decision making at individual and institutional levels that can spur rational decisions for the growth of the economy. The potentials in agriculture should feature in your thinking and consideration
- Directly partake in investing in the sector. With your level of consciousness and ability to manage funds you can make a success of investments and prove to the public the
- In public and private sector your members hold key positions in decision making. You are therefore, in the best position to make comparing between sectors and within sectors. Long term benefits should not be under rated or overlooked for short term gains. This is what contributed in delaying rational decisions in favor of agriculture.
- Advocacy: as a Nigerian you have an obligation to contribute your quota to ongoing discussions in ensuring that funds generation and utilizations are properly done. Nigeria is rated among highly corrupt nations and has threatened its growth. Though not accurately quantified, it remains the most stubborn diseases of our time.
- Upholding professional ethics: Some of your members have contributed to the unfortunate situation on fraud and deceit by financial institutions. Many financial institutions, the stock market witnessed unprecedented crash suddenly after highly rated professional accountants; auditors have certified fit to continue to do business few years before the crash. You owe the public a duty to detect and report facts and guide investors and other stakeholders on true state of affairs of the Companies you examine. Further you must weed out the culprits
- Through its different spheres of activities at both the macro and micro levels, the agricultural sector is strategically positioned to have a high multiplier effect on any nation's quests for socio-economic and industrial development, these facts need to be brought out clearly.

In conclusion is clear the agriculture is the engine of growth for the economy but has suffered seriously in the hands of successive leadership in Nigeria. This has placed Nigeria in an unsecure position in spite of its enormous resource endowments, large populations and strong market for both inputs and outputs of agriculture. The level of articulation of these facts has not come up clear to spur action by stakeholders to invest most significantly in the sector. The professional accountants are here to change this trend for the long term benefits of Nigerian economy ■

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Dr. Ahmad Muhammad Makarfi, a Lecturer in the Faculty of Agriculture, Bayero University, Kano delivered this paper at the 7th Northern Accountants Conference in Kano.

Our goal is to ensure success in ICAN exams. We have, therefore, provided solutions to some past questions to guide candidates in future exams. Although these suggested solutions have been published under the Institute's name, they do not represent the views of the Council of the Institute. ICAN will, therefore, not enter into any correspondence about them.

Cost Accounting (INTERMEDIATE - May, 2009)

Question 1 (CASE STUDY)

GPP Limited is a big and reputable book publishing company established in the early 1950's. The company has recently been taken over by Modern Day Publishing Company (MDPC) - a multinational company operating in all continents.

Mr. Gudlork of MDPC International has been sent from the company's headquarters to reviesv, among other things, the budgeting and reporting system used by GPP.

During his visit to all the departments, he discovered that monthly budgets are prepared for each department in the company. Upon request, the last budget statement for the Higher Education Note Book Production Department (HENBP) for period lll was presented to him.

The budget statement presented was as shown below:

BUDGET STATEMENT FOR PERIOD lll
DEPARTMENT: HENBP Department

ACTUAL RESULTS: UNITS PRODUCED 37,500
LABOUR HOURS 106,050

	ACTUAL RESULTS	BUDGET	VARIANCES
	N'000	N'000	N'000
Direct Materials	756	720	(36)
Direct Labour	369	360	(9)
Variable production overhead	237	216	(21)
Fixed production overhead	177	168	(9)
Variable admin overhead	123	120	(3)
Fixed admin overhead	150	144	(6)
Total costs	1,812	1,728	(84)
Sales value of production	2,325	2,232	93
Profit	513	504	9

Mr. N. Kelvin
Head of Department

Subsequent interaction with Mr. Kelvin - HENBP Department Manager, revealed that the budget statement presented was based on 36,000 units with a standard labour content of 2.85 hours per unit.

Mr. Gudlork observed that Kelvin was not in any way enthusiastic about the budget system. He saw it as a pressure system imposed by the company to nail some of the managers. He pointed out that the system was hurriedly introduced by Aragidi Konsult about twelve months ago. The consultant never took time to provide explanation that could assist users to understand the system. The experienced HENBP Manager was doubtful about the competence of the consultant. He was of the opinion that the system introduced in GPP Limited was either a ready-made one developed for another company or that the consultant did not understand the system well enough to give him the needed confidence to educate the users. He concluded by stating that he was sure his department made a loss as against the positive figure recorded in the report and there was the possibility of reporting a loss at another period when profit was actually made. The situation reported above cuts across virtually all the departments and so the need to nip the situation in the bud became very urgent.

The task of making budgeting system more useful and acceptable in a biased environment like this, no doubt, seems difffcult but your advice to Mr. Gudlork will assist tremendously in getting out of the woods.

You are required to:

(a) Redraft the budget statement in a more informative manner. ***(12 Marks)***

tb) State the behavioural problems brought out in this situation. ***(3 Marks)***

(c) State the steps you think Mr. Gudlork should take. ***(3 Marks)***

(Total 18 Marks)

Solutions to Question 1

(a) Budget statement for Period lll
Department: HENBP Department

	Actual Results	Budget	Variances
Direct Materials	756,000	750,000	(6,000)
Direct Labour	369,000	372,105	3,105

Variable Overhead	360,000	347,298	(12,702)
Fixed Overhead	327,000	312,000	(15,000)
Total costs	1,812,000	1,781,403	(30,597)
Sales value	2,325,000	2,325,000	-
Profit	513,000	543,$97	(30,597)

Notes/Workings

Budget Result Basis: Units = 36,000
Labour Hrs = 36,000 units x 2.85
= 102,600 hrs

Actual Result Basis:
Unit = 37,500
Labour Hrs = 106,050 units

Direct Materials = $\frac{\text{N720.000}}{\text{36,000 units}}$ x 37,500 units = N750,000

Direct Labour = $\frac{\text{N360,000}}{\text{102,600hrs}}$ x 106,050hrs = N372,105

Variable 0verhead = N216,000 + N120,000 = N336,000

$\frac{\text{336,000}}{\text{102,600hrs}}$ x 106,050hrs = N347,298

Sales value = $\frac{\text{N2,232,000}}{\text{36,000 units}}$ x 37,500 = N2,325,000

(b) The budgetary process here is not participatory. The users were not part of the process. The approach applied here discouraged initiative and that was why users misunderstood the objective of the system. They saw the system as a penny-pinching control activity rather than a positive and beneficial one.

For example,

(i) The Budget system was imposed on users. This created resentment and negative reactions.

(ii) Users did not understand the system and so system was unacceptable to them.

(iii) Users were not involved in the whole process, hence their motivation was stifled.

(iv) Users did not see the system as a neutral and objective one.

(v) The goals of users were at variance with those of the organisation (goal incongruence).

(c) Mr. Gudlock is advised to take the following steps:

i) Summon all managers and heads of departments to a meeting where he will disabuse their minds on the acquired negative and contradictory attitude.

ii) Cancel the present system and initiate a new system that involves full participation of the budget holders.

iii) Communicate the objectives of the company and the usefulness of a budget system to all users. All the benefits derivable therefrom should be clearly and distinctly highlighted.

iv) The new process of budget preparation and subsequent performance evaluation should be carried out in such a manner as to motivate managers and staff i.e. it should be participatory and should also encourage initiative and responsibility.

Examiners' Report

The question tests the candidates, knowledge of the concept of Flexible Budgeting.

Performance was extremely poor as majority of the candidates demonstrated shallow understanding and application of this technique.

Candidates are advised to cover the entire syllabus so as to enhance their chances of good performance in future.

Strategic Financial Managment

(PE III - May, 2009)

Question 2 (CASE STUDY)

MISS KOFO

Miss Kofo, a brilliant young unemployed graduate has just won a sum of N1,000,000 in a popular television programme "Who wants to be a millionaire." She intends to place this amount with her bank - Multipurpose Microfinance Bank (MFB) Nigeria Limited. The bank has agreed to pay her a fixed interest rate of 10 per cent per annum compounded annually with principal and interest payable at the end of the sixth year.

Alternatively, her old friend - (Mr. Gbajue) has approached her with an interesting investment opportunity. Mr. Gbajue is considering giving up his job with a Lebanese textile dealer and setting up a small business centre in the Central Business District of Abuja. He would like to borrow the whole N1,000,000 from Miss Kofo and offers to make the repayments in six equal annual instalments at 12% per cent per annum compound interest. Each annual instalment will consist of principal and interest. The loan will be legally secured on Mr. Gbajue's inherited land in Lagos which is worth N5,000,000.

Miss Kofo lives in Abuja with her uncle who is a member of the Federal House of Representatives. Her needs are very few as her uncle provides her daily financial requirements. In effect, her liquidity requirements have been satisfied.

Required:

(a)(i) In relation to capital base, state the TWO types of Microfinance Banks presently operating in Nigeria. ***(1 Mark)***

(ii) Name the type of account Miss Kofo would maintain with her prospective banker. ***(1 Mark)***

(b) Calculate how much money Miss Kofo will have in the bank after six years, if she rejects Mr. Gbajue's offer and places her money with the microfinance bank. ***(1 Mark)***

(c)(i) Compute the annual instalment payable by Mr. Gbajue assuming Miss Kofo gives him the private loan. ***(3 Marks)***

(ii) Prepare a loan amortisation schedule for Mr. Gbajue. ***(6 Marks) (Total 12 Marks)***

Solutions to Question 2

(a)(i) Unit (N20 million)
State (NI billion)

(ii) Fixed Deposit Account

(b) N1,000,000 x $(1.1)^6$
N1,000,000 x 1. 771561 = N1,771,561

(c)(i) Discounting factor $= \dfrac{1 - \dfrac{1}{(1+r)^n}}{r}$ where r = 12%, n = 6 years

$$= \frac{1 - \dfrac{1}{(1+.12)^6}}{.12}$$

$$= \frac{0.493368878}{0.12}$$

$$= 4.111$$

$\therefore$ The annual instalment $= \dfrac{N1,000,000}{4.111}$

$= N243,250$

(ii) Amortisation Schedule

End of year	1 Instalmental payment	2 Annual Interest	3 Principal payment	4 Principal amount owing
0	-	-	-	1,000,000
1	243.250	120,000	123,250	876,750
2	43.250	105,210	138,040	738,710
3	243,250	8S,645	154 605	584,105
4	243,250	70,093	173,157	410,948
5	243,250	49,314	193,936	217 012
6	243,250	26,238	217,012	-
TOTAL	1,459 500	459,500	I,000 000	

Above figures are arrived at as follows:

Columns 2 = Column 4 x 0.12
3 = Column 1 - Column 2
4 = Column 4_{t-l} - Column 3

Examiners' Report

The question tests candidates' knowledge of mathematics of finance and the application of the techniques of "future value of a lump sum" and "present value of annuities" to practical problems.

Many candidates attempted the question but performance was poor. Candidates' commonest pitfalls were their (i) inability to calculate the annual instalment and (ii) preparation of incorrect table.

Candidates are advised to make use of the Institute's 'Pathfinder'.

Financial Reporting And Audit Practice (PE III - May, 2009)

Question 3

The following balances were extracted from the books of Oasis Pension Fund Administrators Limited as at 31 December 2007.

	DR N'000	CR N'000
Capital account		381,600
Investments-quoted shares	141,975	
Investments-unquoted shares	74,250	
Government stocks	142,200	
Oasis Group Plc loan	33,750	
Freehold property	112,500	
Current account balance		225

Term deposit	36,675	
Contributions - Oasis Group Plc		77,400
- Other members		40,725
Income from investments		30,825
Interest received		7,875
Rental income		9,000
Pensions paid	4,725	
Death benefits and commutation payments	37,575	
Members leaving contributions refunded	1,125	
Transfer to/from other schemes	900	1,800
Loss on sale of investments	675	
Income tax recovered		12,150
Liability for commutations		24,750
	586.350	586.350

The following information is also given:

(i) The investments are stated at cost and have the following market values as at 31 December 2007

	N'000
Quoted shares	219,825
Unquoted shares	96,750
Government stocks	137,250

(ii) It has always been the policy of the Administrators to include investments at cost except where there has been a permanent diminution in value. It is not considered that any such condition exists.

(iii) The freehold property is stated at cost. A valuation at 31 August 2007 by Adekogbe & Co (Chartered Surveyors) gave an open market value of N236,250,000. The property is leased to Oasis Group Plc for a period of 25 years from 2000.

(iv) The loan to Oasis Group Plc is for 10 years and at interest of 3% above interbank rate.

(v) The investment income is the actual amount received which has suffered tax at 30%.

(vi) The Oasis Pension Fund Administrators Limited is properly registered.

(vii) Francis Abudu & Co (Consultant Actuaries) had reported that the pension fund was solvent on a discontinuance basis as at 31 December 2006 and that the previous contribution rates were insumcient to meet future expected benefits to actual retirement dates. These have been accepted by Oasis Pension Administrators Limited.

Required:

(a) Prepare financial statements (Revenue Account and Balance Sheet) to be presented to the Board of Oasis Pension Fund Administrators Limited together with appropriate notes to the accounts. (12 Marks)

(b) Comment on actuarial report dated 31 December 2006. (3 Marks)
(Total 15 Marks)

Solutions to Question 1

OASIS PENSION FUND ADMINISTRATORS LIMITED
REVENUE ACCOUNT
FOR 1HE YEAR ENDED 31 DECEMBER 2007

	Notes	N'000	N'000
Contributions receivable			
Oasis group		77,400	
Other members		40,725	
			118,125
Net amount received in respect of			
transfers from or to other schemes	1		900
Investment income (gross)			44,035
Interest received			7,875
Rental income			9,000
Less:			179,935
Pension paid		4,725	
Death benefits & commutation payments		37 575	
Contributions refunded - members leaving		1 125	
Loss on sale of investments		675	(44,100)
Excess revenue			135,835

OASIS PENSION FUND ADMINISTRATORS LIMITED
BALANCE SHEET
AS AT 31 DECEMBER 2007

ASSETS	**Notes**	**N'000**	**N'000**
Freehoid property at cost	2		112,500
investment at cost			
Quoted equities (Market value N219,825)		141,975	
Unquoted equities (Market value N96,750)		74,250	
Governrnent stock (Market value N137,250)		142,200	358,425
Loan to Oasis Group Plc			33,750
Income tax recoverable (N13,210 -N12,150)			1,060
Bank balances			
Term deposit			36,675
			542,410
LIABILITIES			
Commutation of pension		24,750	
Current account balance		225	(24,975)
			517,435
FINANCED BY			
Capital Account			
At 1 January 2002			381 600
Add: Excess revenue transferred from Revenue Account			135 835
			517,435

Notes to the Accounts:

(1) Transfer to and from scheme contributions received in respect of members joining the scheme 1800

Less: contributions paid in respect of members leaving the scheme (900)

900

(2) *Freehold property*
Although shown at cost of N112,500,000 a valuation was conducted by Adekogbe & Co., Chartered Surveyors who placed an open market value of N236,250,000 on the property on the balance sheet date.

(3) *Loan to Oasis Group Plc*
The loan of N33,750,000 is for a term of 10 years and the interest rate payable is 3% above interbank rate.

(4) Status
The fund is properly registered.

(b) Comment on actuarial report dated 31 December 2006:

The actuarial report as at 31 December 2006, indicated that the Pension Fund was solvent on a discontinuance basis. However, the previous contribution rates were insufficient to meet future expected benefits up to actual retirement dates. This implies that Oasis Pension Funds Administration Limited may not be able to meet its entire benefits obligations. The Company therefore needs to increase the rate of contribution from Oasis Group and other contributors. It is possible that the low interest rate on the loan to Oasis Group and the likely low lease rental on the property contributed to the insufficiency of the scheme's fund.

Many factors are considered in actuarial computations in arriving at the estimated retirement cost for the period. Some factors that are considered include mortality rate, salaries, inflation, trend of employment'and the amounts of interest to be earned on the fund. Although the accountant may not be involved in actuarial computations, he is expected to understand the actuarial assumptions made to assure himself that they are realistic, consistent and defensible. The costs that are arrived at, will reflect benefits that will accrue to employees. Any shortfall should be provided for and funded.

Examiners' Comment
The question tests candidates' knowledge of preparation of financial statements of a Pension Fund and appreciation of actuarial valuation.

Many candidates attempted the question but perfonnance was below average. Candidates are advised to prepare themselves for special areas in this subject.

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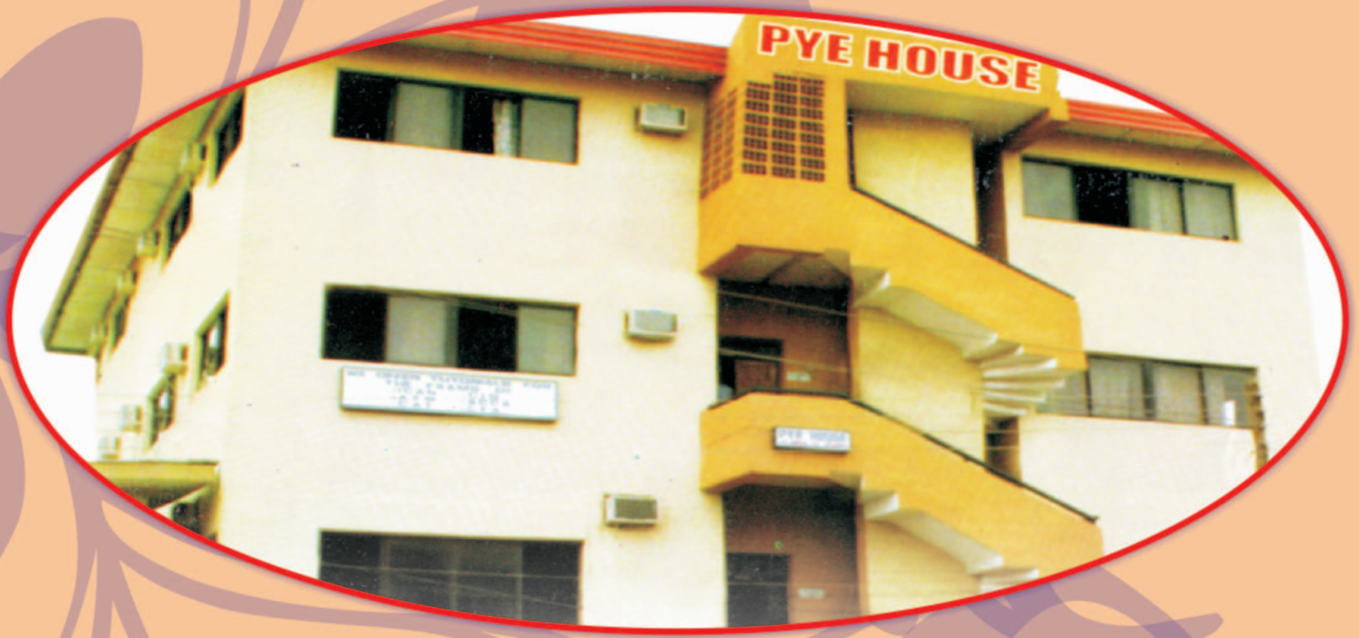

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