



ICAN



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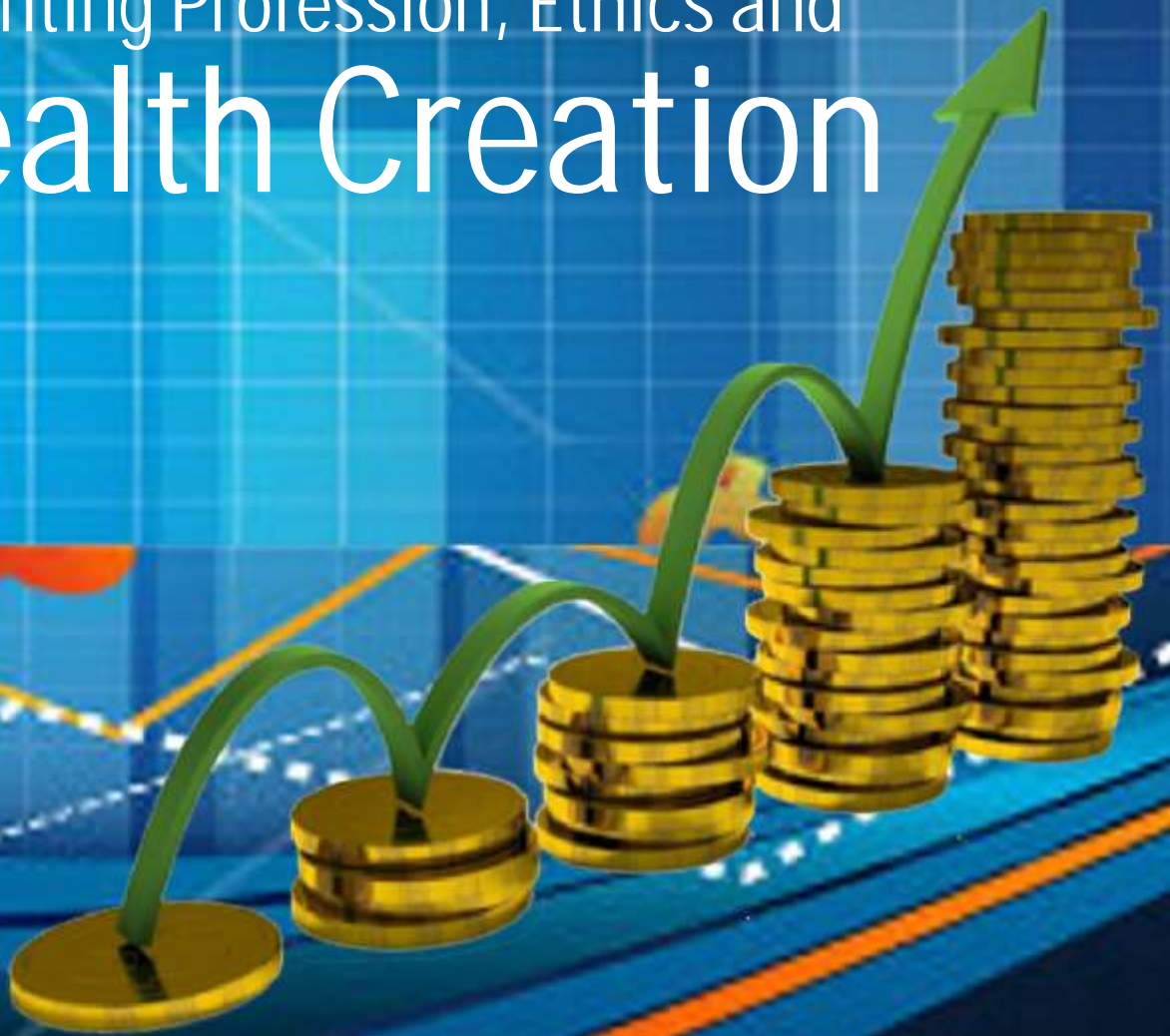
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STUDENTS' JOURNAL

Accounting Profession, Ethics and Wealth Creation



The Impact Of Corruption On Nigeria's Economic Growth



THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA

New Policy on Disclosure of Examination Scores & Extant Policy on Review of Candidates Scripts

In order to bridge the information gap regarding the performance of candidates at the Institute's examinations, the Council has approved that effective November 2013 diet examinations, marks scored by candidates for each subject taken should be disclosed on the result slip. This decision has already been effected.

The extant policy of Council on grievance procedure by candidates who sit for the Institute's examination is still in place. Every candidate has an unassailable right to request for the review of his/her script(s) after the release of results of the examination.

The procedures for the review of scripts are:

- i. Candidate to write to the Registrar/Chief Executive, Plot 16, Idowu Taylor Street, Victoria Island or the Director (Students' Affairs), 82 Murtala Muhammed Way, by Oyingbo bus stop, Ebute Metta, Lagos requesting for the review of his/her script(s). The number of script(s), level of the examination and subject(s) must be indicated in the letter as well as candidate's registration number and examination number.
- ii. Payment of fee of fifty thousand naira only (N50,000.00) per subject/script to ICAN via paydirect or BANK DRAFT. Receipts must be attached to the application in (i) above,
- iii. Candidate would be required to come along with his/her Sponsor/Referee (a member of the Institute that signed his/her form) or approved representative of the Sponsor/Referee and any other observer of his/her choice.
- iv. The following ICAN representatives will attend the review session(s).
 - a) Chairman, Professional Examination Committee
 - b) Chief Examiner of the subject(s) for review
 - c) Representative of Professional Examination Department.
- v. The script(s), examination question paper(s) and marking scheme(s) will be made available to the candidate's Sponsor/Referee for review.
- vi. A report will be prepared on the outcome of the review and signed jointly by the candidate, his/her Sponsor/Referee and ICAN Representatives.

It is pertinent to note that candidates who call for the review of their scripts will NOT BE PENALISED for this reason.

It is however, recommended that candidates should review their answers against the PATHFINDERS (Questions, Answers and Examiners' comments) published by the Institute after each examination before calling for script(s) to avoid the cost of the review exercise.

The PATHFINDERS can be found on the Institute's website: www.icanig.org

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Editor's Note

Each discipline has its potentials to make the practitioners what they want to become in life, so does accounting. One of such aspirations is becoming wealthy in life, but before all these can be achieved, the practitioners or aspiring ones need to understand the nitty-gritty of the discipline, its ethics and guiding principles.

In view of this, our cover article: Accounting Profession, Ethics and Wealth Creation explains in detail what accounting profession is all about, its role in the society, ethics guiding its practice and how it creates wealth.

The information the article provided is important in assisting managers, investors and others in making critical economic decisions and by extension creating wealth. The author makes it clear that a nation's social, economic, organizational and political life is incomplete without accounting information and accounting professionals themselves as accountants serve as intermediaries in the market place and owe

their primary obligation to the public interest.

Another incisive write-up in this edition is entitled "The Impact of Corruption on Nigeria's Economic Growth". The writer delves into pervasiveness of corruption and how it impacts negatively impacts economic growth and sustainable development. He portrayed corruption as the greatest challenge facing humanity in this present world, saying there are enough resources for everyone if not for greed. He concluded that corruption is a key obstacle to good governance, economic growth and development.

The Examiner proffers solutions to some examination questions which will aid candidates in their preparation.

All these and other regular columns are served you in this edition. Your comments on this edition are welcome. Please write to:
corporateaffairs@ican.org.ng or
cobinitie@ican.org.ng

IFAC Elects Owuama to Its Board

The Institute of Chartered Accountants of Nigeria (ICAN) added another feather to its cap as one of its Revered Past Presidents, Major General Sebastian Achulike Owuama (Rtd.) was elected to serve on the Board of the International Federation of Accountants (IFAC). His election was confirmed at the IFAC Council meeting held in Seoul, South Korea on November 13 and 14, 2013 following the approval of his recommendation by the IFAC Board and Public Interest Oversight Board.

According to Alhaji Kabir Alkali Mohammed, President of the Institute of Chartered Accountants of Nigeria, "Owuama's election to the membership of IFAC Board came as a result of hard work, dedication, integrity and level of experience; qualities he exhibited during his tenure as the President of his Institute, ICAN in 2009/2010". Owuama was also President of Association of Accountancy Bodies in West Africa (ABWA) and the first President of the Pan African Federation of Accountants, the umbrella body for accountants in Africa from May 2011 to May 2013, as ICAN President, he was widely acclaimed as the first retired Army General to lead a professional accountancy body.

He was educated at St. John's (RIMI) College, Kaduna from 1961 to 1965; Holy Ghost College, Owerri, Imo State from 1966/67 to 1970 for his Higher School Certificate; University of Nigeria, Enugu Campus from 1971 to 1975 for his B.Sc. Accounting; Norwich City College of Further & Higher Education Norwich Norfolk, England from 1980 to 1982 for his ACCA Professional Examinations; London School of Accountancy & Emile Woolf College, London from 1982 to 1984 also for ACCA; as well as London Business School (for the Senior Executive Programme).

His professional training afforded him the opportunity to acquire rich professional experience and his career spanned over three decades. He was at the East Central State Audit Department from 1972 to 1974). He was also Audit Trainee, Benue Plateau State Audit Department (1975 – 1976); Accounts Supervisor, Central Bank of Nigeria, Enugu Branch (July – Dec. 1976) Audit Officer, (UCA) Command Finance Office, Apapa, Lagos (1978 – 1980); Head of Department, Professional Accountancy, Nigerian Army School of Finance & Administration, Apapa, Lagos; Staff Officer, (Grade 2) – Command Finance Office, Apapa, Lagos (1987 – 1990); Managing Director, Nigerian Welfare Insurance Scheme (1991 – 1995); Assistant Director, Nigerian Army Finance & Accounts – Hq 2 Mechanized Division, Ibadan (1996–1998); Acting Commandant, Nigerian Army School of Finance & Administration (NASFA), Apapa (January–July 1999); Deputy Commander, Command Finance Office, Apapa (July 1999–July 2001); Commander, Command Finance Office, Apapa (July 2001–June 2003); and Director, Army Finance and Accounts (July 2003 to December 2005).

Not only was General Owuama decorated with the Corps Medal of Honour, which is the highest Medal for any officer who has risen to the top to command his corps, he was also, in retirement, on July 5, 2010, decorated with the Distinguished Post Service Medal, the highest medal given to any army personnel, who after retirement has distinguished himself in other fields of



L-R: President of The Institute of Chartered Accountants of Nigeria, Alhaji Kabir Mohammed; President of the International Federation of Accountants (IFAC), Mr. Warren Allen and ICAN Past President, Major-General Sebastian Owuama (rtd), after Owuama's election to IFAC's Board.

human endeavour.

It would be recalled that ICAN is a founding members of IFAC, the global organization for the accountancy profession dedicated to serving the public by strengthening the profession and contributing to the development of strong international economies. IFAC is comprises 173 members and associates in 129 countries and jurisdictions, representing approximately 2.5 million accountants in practice, education, government service, industry and commerce.

NANS Honours ICAN President with Award

The 49th President of the Institute of Chartered Accountants of Nigeria (ICAN), Alhaji Kabir Alkali Mohammed was the cynosure of all eyes as he was awarded the "Epitome of Good Leadership of the Year" by the National Association of Nigerian Students (NANS).

The representatives of NANS, drawn from Uthman Dan Fodio University, Sokoto; Kebbi State University; Ibrahim Badamasi Babangida University, Niger State; University of Maiduguri, Bornu state; Gombe state University and Yar Adua University, Katsina state, presented the award to the ICAN President on Tuesday, October 10, 2013 at the Ebute Metta office of the Institute in Lagos.

The students-body explained that it believed in honouring



ICAN President, Alhaji Kabir Mohammed being supported by Alhaji Razak Jaiyeola as he receives his award from the National Association of Nigerian Students (NANS).

deserving personalities who have distinguished themselves in their chosen profession, adding that it picked on Alhaji Mohammed as a second recipient of such award in the history of the union after thorough screening of the many nominations received.

The Union claimed to have been following Alhaji Mohammed through his work life where he began as a University bursar, Secretary, Accountant, Banker and Director of finance in the former National Electric Power Authority (NEPA).

The highlight of the event was the presentation of a cheque for the sum of two hundred and fifty thousand naira (=N=250,000.00) to support the union effort at helping the physically challenged students.

The ICAN boss who was also conferred with a "five star General of the students body" thanked the union for the award and promised to continue to do what he knows best - touching the lives of people with a view to making it better and protect the rights of women so that they can continue to contribute to the development of the society.

Lead City University Seeks Partnership With ICAN

Lead City University Ibadan has offered to admit members of the Institute of Chartered Accountants of Nigeria (ICAN) who were yet to obtain a Bachelor's degree, to commence from part three in its part-time programme. This offer was contained in a letter addressed to the Institute and signed by the Registrar of the University, Dr. (Mrs) Oyebola Ayeni.

The letter further stated that the University was set to fulfil its mandate to partner with relevant sectors of the Nigerian economy to further the progress of education, hence, its recognition of ICAN as a world class player in both local and global educational sector. The management of the University also offered to give a 20% rebate on tuition fees on this programme.

In a statement confirming the approval of NUC for the University to operate part time, the Director, Corporate Affairs Commission, Dr. Ayobami Owolabi said, "It is gratifying to know that the NUC has granted approval for the university to run part-time mode in programmes like Accounting, Business Administration, Computer and Information Science, Politics and International Relation, Mass Communication and Media Technology, among others".

"The university indeed, recognises the need to accommodate the time constraints of individuals and therefore, provides flexibility by allowing for a choice between part-time and full-time studies," he concluded.

Lead City University, a private university located at Lagos-Ibadan Express Way, Ibadan got its approval from the Federal Government of Nigeria in 2005 and, also has all its academic programmes accredited by the National Universities Commission (NUC) as well as having its Accounting department accredited by ICAN.

It is therefore believed that members of the Institute who are favourably disposed for further knowledge can make good use of this partnership to extend their educational advancement while they work.

ICAN Council Member Becomes SWAN Chairperson

Mrs Onome Joy Olaolu, the Honorary Treasurer of the Institute of Chartered Accountants of Nigeria (ICAN) has been invested as Chairperson of the Society of Women Accountants of Nigeria (SWAN), a chapter of the Institute. Her investiture and swearing-in ceremonies took place on Tuesday, December 2 at Muson centre, Lagos. Also to serve along with her are the Executive members elected to different offices.

Addressing guests at the occasion, the 49th President of ICAN, Alh. Kabir Mohammed extolled the virtues of Olaolu who is also a member of the Governing Council of the Institute that have earned her this enviable position. He said she brought a lot of positive changes to the Council and has contributed meaningfully to its proceedings. He charged the newly elected Chairperson to ensure that under her leadership young women are groomed in a better perspective and that some social vices plaguing the society such as sexual harassment of young women especially at tertiary institutions are highlighted and proffered solution to for the betterment of the nation.



President of the Institute of Chartered Accountants of Nigeria (ICAN), Alh. Kabir Mohammed, Deputy Governor of Lagos State, Mrs. Adejoke Orelope-Adefulire and Mrs. Onome Olaolu, Council Member and Honorary Treasurer, ICAN, Mrs. Onome Olaolu at the occasion of Olaolu's investiture as the Chairperson of the Society of Women Accountants of Nigeria (SWAN)

Accepting the mantle of leadership, Olaolu said 'having accepted the mantle of leadership together with its attendant responsibilities, while at the same time acknowledging the aims and objectives of the body and its role as the Corporate Social Responsibility arm of ICAN, this EXCO has lined up a couple of Projects that will move SWAN forward over the next two years.'

She mentioned among other things the proposed programmes of the Society which include, to assist ICAN in the protection of her Charter, stimulate the interest of Women in the Accountancy Profession, give support to every ICAN President towards the achievement of established goals as well as providing support and encouragement to as many indigent and intelligent females who want pursue a career in Accountancy and support its Institute in preparing for the 50th anniversary celebrations.

Inculcate Reading Culture in Youngsters – Mohammed

The President of the Institute of Chartered Accountants of Nigeria, Alhaji Kabir Mohammed has called on parents, teachers, and corporate bodies to invest in promoting the reading culture and bringing back the glory of this fast waning practice.

Mohammed made this call at the Grand Finale of UBA Foundation National Essay Competition held in Lagos where he delivered a lecture as Guest Speaker. While congratulating the 12 finalists particularly the winner, Ezenwa Okonkwo and the two runner-ups, Toluwalase Adeagbo and Korie Ijeoma, he said it was time to revive the reading culture especially now when the internet and the social media had taken first place in the minds of young ones.

His words: "As we celebrate these young ones, there is need



L-R: The Deputy Managing Director of UBA and Chairman of the UBA Foundation, Kenedy Uzoka discussing with the ICAN President, Kabir Mohammed at the Grand Finale of UBA Foundation National Essay Competition in Lagos while the MD/CEO of the Foundation, Ijeoma Aso watches

for all persons and corporate bodies interested in the future of this nation to deliberately invest in and promote reading culture which is fast declining in this country. What we experience today is a culture of short messages (SMS) and pinging on blackberry telephones, facebook, twitters, watching home videos, etc."

He said further that "the entrapment of television, social media and everything electronic is so strong and pervasive. Hardly can you find a youth reading novels or text books or listening to news on television or radio. No wonder the written and spoken English of our youths have become greatly challenged."

The Managing Director/Chief Executive Officer of the UBA Foundation, Ijeoma Aso said the foundation was set up as part of social responsibility of the Bank to give back to the society and provide better lives for people wherever the bank is present nationwide. She mentioned education, environment as well as special project among others as part of what the foundation is particularly set up for.

The Deputy General Manager of the Bank and Chairman of the Foundation, Kenedy Uzoka reiterated the bank's interest in the progress of young ones that is why one of the things it is resolved to tackle is the poor habit of writing, observed in recent times among youths. He also said that the winner and runner-ups of the essay completion would receive grants to support them in their higher education.

Embrace Team Work, ICAN President Advises Ikorodu District Chairman

The President of The Institute of Chartered Accountants of Nigeria (ICAN), Alhaji Kabir Mohammed has appealed to the newly invested Chairman of Ikorodu and District Society of ICAN, Mr Suleimon Olajide Shitta to embrace team work if he really wants to succeed.

The ICAN President who was represented at the occasion by the 2nd Deputy Vice President, Deacon Titus Alao Soetan explained that nobody can succeed in a corporate setting if he does not garner the support of his colleagues to work together as a team.

He pointed out that his predecessor was able to record



The newly elected Chairman of Ikorodu and District Society of ICAN, Mr. Suleimon Olajide Shitta being decorated by the 2nd Deputy Vice President of ICAN, Deacon Titus Alao Soetan, while the outgoing Chairman of the District, Rev. Samson Disu offers support.

milestone achievements because of the spirit of team work embraced, urging the new Chairman to follow suit and even surpass his predecessor.

"It is my candid opinion and advice that you can only record success when you embrace teamwork. Ensure that you carry your colleagues along in the scheme of things so that all of you will achieve success together," he appealed.

In his response, the new Chairman assured the ICAN President of his readiness to embrace team work in discharging his duties and promised that his tenure would witness unprecedented success in the history of the district. He called on his professional colleagues not to leave him alone as this would not augur well for the district society.

NTA Boss Commends ICAN on Accounting Education

The General Manager of the Nigerian Television Authority, Lokoja, Kogi State, Hajia Hadiza Abdul-Lawal has commended the Institute of Chartered Accountants of Nigeria (ICAN) over what she described as taking giant strides in the field of accounting education.

The NTA boss gave the commendation during a courtesy visit to her office by ICAN President, Alhaji Kabir Mohammed as part of his official visit to Lokoja & District Society of ICAN. She expressed appreciation to the ICAN President and his entourage for visiting

her office, saying that the Institute's positive strides in the field of accounting education in the country and within the West Africa sub region was unquantifiable.

She also applauded the Institute's relationship with ANAN as a step in the positive direction towards the enthronement of total professionalism in the country.



Alhaji Kabir Mohammed, ICAN President presenting some of the Institute's publications to Hajia Hadiza Abdul-Lawal, General Manager, NTA Lokoja during his courtesy visit to the station.

The ICAN President had earlier told the NTA boss that the visit to NTA Lokoja was part of the Institute's efforts at making known to the public its Students' Special Project (SSP) and the benefits accruable to indigenes of the state that are desirous of becoming chartered accountants

He also informed Hajia Abdul-Lawal of the readiness of the Institute's governing council to build its study centre in Lokoja where indigenes of the state will be availed the opportunity of receiving world-class accountancy tuition and the opportunity of an examination centre in the state.

ICAN to Enhance Accounting Education in Kogi State University

The President of the Institute, Alhaji Kabir Mohammed has assured Kogi State University of the Institute's readiness to enhance accounting education in the university, in addition to working on the viability of collaborating with the institution on the adoption of the Institute's syllabus for its accounting curriculum under the memorandum of understanding arrangement.

Mohammed gave the assurance in the school campus during his courtesy call on the Vice Chancellor of the University, Professor Hassan Isah. He spoke extensively on the ongoing collaboration between the Institute and some universities that have shown interest in its Memorandum of Understanding (MOU) on the issue of adopting the ICAN syllabus for their accounting programmes.

expatiated on the benefits derivable by the institution if it decided to follow the footsteps of other institutions that had bought into its vision of training world class chartered accountants.

Alhaji Mohammed spoke on the relationship between the Institute and ANAN, describing it as very cordial. He reeled out the successes recorded by the Institute regarding its Students Special Projects (SSP) in some states in the northern part of the country.

The President also addressed accountancy students of the Institution, where he spoke on the plan by the Institute to approve the institution as an examination centre.

Appointed:

- MRS. OLUSEYI WILLIAMS, a member of the ICAN Governing Council, was appointed the 17th Head of the Lagos State Public Service, by the Executive Governor of the State, Mr. Babatunde Raji Fashola. Prior to her appointment, she was Accountant-General of the state and was later seconded to Lagos State University as Bursar before she was moved back. In 2006, she became Accountant General/Permanent Secretary of the State Treasury Office.

- MR. GODWIN EMMANUEL OYEDOKUN has been appointed the International Institute of Certified Forensic Investigation Professionals (IICFIP) Membership Mobilisation Director for Africa. According to the appointment letter issued to him, of which a copy was made available to The Nigerian Accountant, Oyedokun was expected to his expertise to build effective public relation and marketing for of IICFIP services in Africa.

- MR. JERRY IGBEKAN OBAZELE, FCA has been appointed the Head of Service of Edo state. Prior to his appointment, Mr Obazele has diverse experience in the field of accounting, auditing and financial matters, spanning over three decades. Apart from being a Fellow of ICAN, he is also a Fellow of Chartered Institute of Taxation of Nigeria (CITN); Life member, Nigerian Economics Society; Member, Institute of Financial Consultants of U.S.A and Canada; Fellow Institute of Financial Consultants, U.S.A and Canada, etc.

Award of Knighthood:

ICAN Past Past President, Sir Herbert Adewole Agbebiyi, KJW, FCA was awarded the Knight of John Wesley (KJW) at the 43rd/8th Biennial Conference of Methodist Church Nigeria. His nomination was ratified at the Church's August 2012 Conference and the Award was conferred on him during the service of Recognition and Award of Merit held on Sunday 7th July 2013 at William's Memorial Methodist Cathedral, Ago-Ijaiye, Ebute Metta, Lagos.



R-L: President of the Institute of Chartered Accountants of Nigeria (ICAN), Alhaji Kabir Mohammed, Past President of ICAN and Special Guest of Honour, Dr. (Mrs) Catherine Okpareke and Vice President of ICAN, Mr. Chidi Ajaegbu at the occasion of the 39th Association of Accounting Technician (AAT) induction ceremony.

Accounting Profession, Ethics and Wealth Creation

By William Arthur Bailey



A short story

Arthur Andersen at the age of 28 faced down a railway executive who demanded his books be approved or else he would kick his business away. He replied that there is not enough money in the city of Chicago to induce him change that report. He lost the business but later the railway firm filed for bankruptcy. He became known for high integrity and as a firm you could trust. However in the last 80s, Arthur Andersen increased its involvement in management consultancy services and things began to fall apart.

Accounting and Its Role in Society

Accounting is concerned with collecting, analysing and communicating economic information. However in order to develop a broader understanding of accounting and the central role it plays in society, we need to consider it from a social perspective.

Individuals in society coexist by establishing relationships with each other.

Another way of viewing society is by segmenting it into different groups or arenas, for example the social, economic, organizational and political arenas. In order to function effectively, these different arenas need to communicate and it is accounting information that facilitates this communication.

Accountants serve as financial reporters and intermediaries in the market place and owe their primary obligation to the public interest. The information they

provide is crucial in aiding managers, investors and others in making critical economic decisions and creating wealth. What is clear, based on the submission above is that, our social, economic, organizational and political life is incomplete without accounting information and by extension, the accounting professionals themselves.

While our positive contributions to the society are very well acknowledged, the involvement of accountants in the

societal, economic, organizational and political failures has also not gone unnoticed. From Enron case in the US, to Pamalat in Italy, the Worldcom scandal, the Madoff and the recent credit crunch and the subsequent Global financial crisis which threatened the economic survival of almost every country in the world. Back home in Nigeria, the accounting profession has been beaten badly in the media over the last few years. The forces at work were numerous and complex with so much political coloration; from the various banking collapses, the corporate scandals, capital market crises, the corrupt public administrations and other high profile financial and public fraud which have earned Nigeria an unenviable 8th position in the Transparency International's 2013 Global Corruption Barometer are more than enough evidence that our social, economic, organizational and political life need a rebirth. While the Accountants are not and cannot be blamed in entirety for these social evils in Nigeria, the role of accountants in the underlying book-keeping and reporting has come under public attention. The "expectation gap" and general misconception about accountants being key players when money is involved have also left our reputation battered in the public space. We are all witnesses to the negative media publicity that followed many of those scandals. There are also hundreds of unreported small-scale financial irregularities involving accountants in business and public practice.

Based on the foregoing, it is clear that the role of accountants is critical to our social, economic, organizational and political life. Accordingly, ethical improprieties by accountants can be detrimental to society, resulting in distrust by the public and disruption of efficient market operations.

Where does the accounting profession stand in the ethics barometer?

Due to the diverse range of accounting services and recent corporate collapses, attention has been drawn to ethical standards accepted within the accounting profession. These collapses have resulted

Critics of accountants have gone to the extent of saying that when asked by a client "what does two plus two equal?" some accountants are likely to respond "what would you like it to be?"

in a widespread disregard for the reputation of the accounting profession.

At a plenary session at the 2003 annual meeting of the American Accounting Association (AAA), Professor Arthur R. Wyatt (accounting professor, former Arthur Andersen partner, FASB member, IASC member) spoke on "Accounting Professionalism—They Just Don't Get It!" His far-ranging observations and incisive analysis drew upon his long experience in the profession. He spoke to the annual conference as to why things got so bad that one of the Big 5 went kaput, and it was just happenstance that it did not happen to any of the four survivors. Wyatt considered Arthur Andersen's fate to be deserved, as he described an historical evolution that resulted in Andersen abandoning its responsibility. Quoting a long passage from his speech that contains his conclusion, Prof Wyatt stated:

"Just as greed appears to have been the driving force at many of the companies that have failed or had significant restructurings, greed became a force to contend with in the accounting firms. In

essence, the cultures of the firms had gradually changed from a central emphasis on delivering professional services in a professional manner to an emphasis on growing revenues and profitability."

At a later session during the AAA annual meeting, Professor James C. Gaa; (Professor of accounting; member of the International Accounting Standards Committee(IASC) and the International Ethics Standards Board for Accountants), took Wyatt's observations a step further, using them to delineate a thoughtful analysis of moral syndromes in the accounting profession, and a prognosis for the future. He left everyone thinking on why accountancy which was hitherto known as a "profession from heaven" due to its "accountability" requirement is gradually being demonised as a result of the questionable moral standard of its practitioners.

Critics of accountants have gone to the extent of saying that when asked by a client "what does two plus two equal?" some accountants are likely to respond "what would you like it to be?"

This thought process along with other criticisms of the profession's issues with conflict of interest actually captures the problem at hand and the need to take a new look at the ethical standards and how they are being applied by accounting professionals.

To combat the criticism and prevent fraudulent accounting, various accounting organizations and governments have developed regulations and remedies for improved ethics among the accounting profession. Various new reforms, regulations, and calls for increased higher education have been introduced to combat the dangers of unethical behavior. We know of the Sarbanes-Oxley Act of 2002 in the United States; the Corporate Law Economic Reform Program Act 2004 in Australia; Continuous update of the Code of Ethics for Professional Accountants by the International Ethics Standards Board

for Accountants of IFAC. Also in the United States, the PCAOB stated an inspection program wherein a team of seasoned auditors conducted inspection into the audit files of accounting firms. We also know of efforts of the Financial Reporting Council of Nigeria, series of guidelines from various committees of ICAN; the Professional Practice Monitoring Committee, the Ethics and efforts of the disciplinary committee over the years – to mention just a few.

In the opinion of Professor Wyatt, the forces behind this moral decadence within the profession can be summarised as follows:

- corporate and individual greed,
- delivering services that acted to impair independence,
- becoming too cozy with clients, and
- participating actively in finding ways to avoid the provisions of accounting standards.

The concept of ethics

The definition of ethics is shaped by personal, societal and professional values, all of which are difficult to specify. The word 'ethics' is derived from the Greek word 'ethos' (character) and Latin word 'moras' (customs). Taken together these two words define how individuals choose to interact with one another. Thus, ethics is about choices. It signifies how people act in order to make the 'right' choice and produce 'good' behaviour. It encompasses the examination of principles, values and norms, the consideration of available choices to make the right decision and the strength of character to act in accordance with the decision. Hence, ethics, as a practical discipline, demands the acquisition of moral knowledge and the skills to properly apply such knowledge to the problems of daily life.

Code of Ethics for Professional Accountants

The International Ethics Standards Board for Accountants; an independent standard-setting body that develops an internationally appropriate Code of Ethics

The nature of accountants' work puts us in a special position of trust in relation to our clients, employers and general public, who rely on our professional judgment and guidance in making decisions

for Professional Accountants, published and continuously updates "handbook of the code of ethics for professional" This code provides ethical guidance to professional accountants in public practice as well as business. These ethical principles are not new, what was however new is that the profession's historical defenses to combat these forces proved ineffective. The bottom line is that the profession-indeed, society as whole, has paid a high price for the accounting profession's failure to meet the expectations of investors, creditors, and other users of financial statements.

It is extremely important for us (accounting professionals) to be ethical in our practices due to the following:

- The nature of accountants' work puts us in a special position of trust in relation to our clients, employers and general public, who rely on our professional judgment and guidance in making decisions. These decisions in turn affect the resource allocation process of an economy.

- The accountants are relied upon because of their professional statues and ethical standards. Thus, the key to maintaining confidence of clients and the public is professional and ethical conduct.

- Ensuring highest ethical standards is important to a 'public accountant' as well as to an 'accountant in business'. Both 'public accountants' and 'accountants in business' are in a fiduciary relationship, former with the client and latter with the employer.

- In a fiduciary relationship, accountants have the responsibility to ensure that their duties are performed in conformity with the ethical values of honesty, integrity, objectivity, due care, confidentiality, and the commitment to the public interest before one's own.

- Accountants, as professionals, are expected to maintain a level of ethical conduct that goes beyond

society's laws.

The above considerations have made the professional accounting bodies to develop a code of professional conduct, which sets rules or standards that define right from wrong to ensure that members' behaviour complies with perceived public expectations of ethical standards. These rules have been developed based on the 'principles of professional conduct', which form the basis for professional ethics.

All professional accountants are expected to comply with the following fundamental principles as enumerated in the IFAC's Code of Ethics for Professional Accountants:

(a) Integrity – to be straightforward and honest in all professional and business relationships.

(b) Objectivity – to not allow bias, conflict of interest or undue influence of others to

override professional or business judgments.

(c) Professional Competence and Due Care – to maintain professional knowledge and skill at the level required to ensure that a client or employer receives competent professional services based on current developments in practice, legislation and techniques and act diligently and in accordance with applicable technical and professional standards.

(d) Confidentiality – to respect the confidentiality of information acquired as a result of professional and business relationships and, therefore, not disclose any such information to third parties without proper and specific authority, unless there is a legal or professional right or duty to disclose, nor use the information for the personal advantage of the professional accountant or third parties.

(e) Professional Behavior – to comply with relevant laws and regulations and avoid any action that discredits the profession.

No member body of IFAC or firm is expected to apply less stringent standards than those stated in this Code.

So, How Can Professional Accountants Remain in Its Vantage Position in the Society?

The Code of Ethics for Professional Accountants is enough to make us remain at the leading position in the society but accountants' got tainted in corporate scandals in recent times because they have not complied with the expected ethical standards.

While some accountants are having issues with quality of their work, some sometimes focus too much on technical issues and lack ethical sensitivity to recognise ethical dilemmas involved with their work, which would ultimately lead to making wrong decisions. Thus, accountants should be trained to be sensitive to identify the moral dimension

Accountants will achieve the desired level of ethical standard when they take their duty to the society to a level that they become "others-centered" rather than "self-centered" professional.

of seemingly technical issues. IES 4 issued by the International Accounting Education Standards Board (IAESB) of IFAC requires professional accounting bodies to distinguish between teaching students about professional values, ethics and attitudes and developing ethical behaviour. Developing professional values, ethics and attitudes should begin early in the education of a professional accountant and should be re-emphasised throughout the career. Thus, developing an ethical behaviour is part of life-long learning of a professional accountant.

To remain in the vantage position in the society, accountants must also avoid the top nine factors that contributed to ethical failures for accountants based on a survey of 66 members of the International Federation of Accountants. The factors include (in order of most significant):

- 1) self-interest,
- 2) failure to maintain objectivity and independence,
- 3) inappropriate professional judgment,

- 4) lack of ethical sensitivity, improper leadership and ill-culture,
- 5) failure to withstand advocacy threats,
- 6) lack of competence, organizational and peer support, professional body support.

Accountants will achieve the desired level of ethical standard when they take their duty to the society to a level that they become "others-centered" rather than "self-centered" professional.

What Can Be Done to Rebuild and Sustain The Waning Confidence of Stakeholders in the Profession?

We can rebuild and sustain the waning confidence of stakeholders in this profession by:

- 1) Returning to professionalism and beware of unguided commercialisation of accounting practice. Practices that extol commercial acumen at the expense of ideals of public service and altruism traditionally associated with professionalism will take us far into the ditch of ethical failure.
- 2) Understanding and putting into the life, the statement made by Robert H. Montgomery when he was describing ethics in accounting. Viz: "Accountants and the accountancy profession exist as a means of public service; the distinction which separates a profession from a mere means of livelihood is that the profession is accountable to standards of the public interest, and beyond the compensation paid by clients".
- 3) Increase our knowledge of ethics. Doing this will help accountants and auditors to overcome ethical dilemmas, allowing for the right choice that, although it may not benefit the company, will benefit the public who relies on the accountant / auditor's

reporting. Recent research reports have indicated that accounting students and accountant are lagging behind in ethic compared to other profession. This needs to be reversed.

- 4) The pace and disruptive potential of information and communications technology (ICT) development has placed technology at the heart of strategy and operations of businesses of almost every size. Government groups, professional organizations, and independent companies; who are the drivers of ethical standard should pursue technology leadership and brace up to the challenges of our time. They should use technology to develop, disseminate and monitor ethical standards within the profession.
- 5) Professional bodies must continuously engage and discuss with practitioners on ethical issues and challenges on the field. This will help the professional bodies to determine what need to be updated or changed in the ethical code. Following the 2008 credit crush, the UK parliament summoned senior management at some financial institutions and senior management at audit firms for interviews. At that session, they raised concern regarding the accounting rules themselves and this is one area the IASB is addressing on the IFRS 9 project especially the determination of impairment for financial instruments. The code or standards have to be right for them to be effective in our ever changing world.
- 6) Accounting firms should charge appropriate fee and spend time that will make it possible for them discover creative and fraudulent accounting. They should also invest in audit tools and technology that will aid efficient

"If the confidence of the public in the integrity of accountants' reports is shaken, their value is gone. To preserve the integrity of his reports, the accountant must insist upon absolute independence of judgment and action. The necessity of preserving this position of independence indicates certain standards of conduct."

- Arthur Andersen, 1932 speech

and effective auditing. Use of Audit Command Language (ACL), Statistical Techniques for Analytical Review (STAR) etc. need to be reinvigorated.

- 7) Adoption of IFRS which is principle-based and not rule-based is expected to bring more transparency into Financial Reporting in Nigeria. IFRS is based on "understandability, relevance, materiality, reliability, and comparability – this should be maximized to rebuild and sustain the waning confidence of stakeholders in this profession.
- 8) Educators should do more to improve the quality of the products they make available to the accounting

profession. Emphasis should be placed on professionalism and not just the "meal ticket". While we try to salvage what is left of our generation, the culture to be built in future accountants should focus more on professional responsibilities and the importance of ethical behavior.

- 9) Auditing firms must be epitome of trust, honesty and decency – all attributes that a successful business enterprise must possess.
- 10) Professional accountants should enlighten and orientate their client. They should make it clear that our role as auditors is to keep them out of trouble and, therefore should expect us to object when they wanted to follow an accounting policy or reporting framework that might lead to problem in the future.
- 11) The tone at the top of the corporate bodies and accounting firms must promote ethical principle and should be one that will restore the primacy of professional behavior in the conduct of services rendered. Such restoration will likely not be met if the "chief messenger" is known throughout the company/firm as being primarily an advocate of revenue growth even when that growth may be at the expense of the firm's/company's reputation for outstanding professionalism in the delivery of its services.

Conclusion

Accounting ethics will continue to be deemed difficult to control or implement until accountants and auditors start to consider the interest of the public (which relies on the information gathered).

Mr. William Arthur Bailey, Deputy President, Institute of Chartered Accountants in England and Wales, presented this paper at the 43rd Annual Accountants Conference of ICAN.

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The Impact of Corruption on Nigeria's Economic Growth

By Ekpo Nta

ABSTRACT

Corruption negatively impacts economic growth and sustainable development and it constitutes the greatest challenge facing humanity because there are enough resources for everyone but not for everybody's greed. The unfortunate thing is that there is no one-size-fits-all solution. Corruption is pervasive and cancerous and it destroys all that makes humanity different from animals or lower forms of life.

DEFINITION

Corruption is a term used loosely in politics, social sciences and in everyday language. It includes everything from paying bribes to civil servants and individuals, theft of public funds, ranges of economic and political practices that people dislike. Far from being the taboo topic it once was, corruption is now accepted as a global

public menace, a key obstacle to good governance, economic growth and development.

WHAT IS CORRUPTION?

The World Bank's working definition of corruption is "abuse of public power for private benefit". Transparency International (TI) takes a somewhat

broader approach: "the abuse of entrusted power for private gain".

Forms of corruption are diverse in terms of the Actors, Initiators and Profiteers, not to mention the how's and what's. Therefore, the causes and consequences of corruption vary from case to case. However, as with all complex concepts, analysis requires a common description.

According to J.S. Nye's classic definition, corruption is: "behaviour which deviates from the formal duties of a public role because of private-regarding (personal, close family, private clique) pecuniary or status gains; or violates rules against the exercise of certain types of private-regarding influence".

From the above, it can be summed that Corruption is any transaction between private and public sector actors through which collective goods are illegitimately converted into private-regarding payoffs (see Heidenheimer et. al. 1993). The corrupt act always involves at least two parties or actors (except in the case of embezzlement): one that takes the bribe (the corrupted, usually the state or some state agent), and one that gives the bribe (the corrupter, which can be any non-governmental and non-public individual or entity, i.e. private citizens, domestic or international businesses, civil society organizations, etc.).

The corrupted is on the demand side, and the corrupter on the supply side. As a rule of thumb, the one who takes the initiative is usually the one who believes he or she will gain the most, though the biggest benefits can ultimately accrue either to the corrupted or to the corrupter.

President Ferdinand Marcos of the Philippines for instance rewrote sections of the Philippine Constitution to legalise his looting of the nation's wealth.

CORRUPTION IN NIGERIA

In its 2013 Corruption Perception Index (CPI), the Transparency International ranked Nigeria as the 144th most corrupt among the 177 countries studied in the world. In 2012, Nigeria was ranked 139th among 174 countries and 143rd among 182 countries in 2011. The survey further gave Nigeria as an example of countries where oil resources were only available to

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only a few elites.

The above corruption picture in Nigeria is worrisome and there is the need to examine and trace the origin and scope of the problem. Corruption in public life manifested as early as the 1950s when a panel of inquiry was set up to look into what became known as the African Continental Bank (ACB) – Nnamdi Azikiwe Affair. The charges were that Dr. Azikiwe abused his office by allowing public funds to be invested in ACB in which he (Zik) had an interest. The allegation proved to be a big scandal, a tour de force that led to the institution of JUSTICE STRAFFORD FORSTER-SUTTON Commission of enquiry on July 24, 1956 to investigate the above allegation. The subsequent indictment of Dr. Azikiwe in the commission's report led him to transfer all his rights and interest in the bank to the Eastern Nigeria Government. (Nwankwo 1999)

In 1962 Chief Obafemi Awolowo was dragged to the court of accountability. This led to a call or an investigation of the

relationship between the erstwhile Awolowo government and the National Investment and Property Company, a private enterprise said to be indebted to the Western regional government to the tune of 7,200 pounds. On June 20, 1962, the Federal government appointed a Commission headed by Justice G.B. Coker to investigate the allegations and the Commission indicted Awolowo in its report. Consequently, the Western regional government acquired all the property owned by the National Investment and Property Company.

In 1967, another commission of enquiry was instituted to investigate assets of fifteen public officers in the defunct Mid-western region. At the conclusion of the panel's report, all the public officers were indicted for corruptly enriching themselves. The panel recommended that they should forfeit such ill-gotten wealth to the government.

The story goes on and on, it is to the discovery of oil that we owe the magnification of the penchant of successive Nigeria leadership to loot and plunder. In 1970, the price of oil soared. A nation emerging from a painful civil war suddenly found itself awash with petrol-dollars. Nigeria had so much money which it did not know how to spend judiciously. This triggered a new wave of foreign invasion and corrupt practices.

CORRUPTION AND PRIVATISATION

The era of privatization of public enterprises witnessed large scale corruption and nothing worked. Thompson (2004) report on the National Electric Power Authority (NEPA):

"There were powerful views on the problems of corruption...you need to tip them to get them to rectify a problem, said one, while some people in the focus group thought transformers were being vandalized by NEPA officials to warrant either

replacement or repair of the transformers."

The writer can authoritatively confirm that the same existed in the erstwhile NITEL; so it was believed that privatization was the answer. Unfortunately, this has not been the case.

CORRUPTION IN THE EDUCATIONAL SECTOR

The days of burning the candle is gone in our schools. Parents are known to have used unorthodox means to influence their children's or wards' admission to federal government secondary schools, commonly referred to as unity schools. A high JAMB score is critical for admission into the university in Nigeria, and this has led to cheating by some students and parents. There are expensive coaching centres that charge exorbitant fees to guarantee a minimum score of 300 in the JAMB examination, which is being orchestrated by coaching centres through aiding and abetting of cheating in the JAMB examination. Within the University system, students resort to "sorting" and the consequence is unemployable graduates.

TYOLOGY AND CAUSES OF CORRUPTION

An attempt has been made earlier in this paper to present the 360 degree involvement in the perpetration of corruption. The question of how to situate corruption will nevertheless still persist; should we be public-office centred, market centred or public-interest centred? Whichever position we choose to take, we will still have to see corruption in one or more light from the following classifications: supportive corruption, transactional corruption, extortive corruption, defensive corruption, investive corruption, personal and institutional corruption, traditional and modern corruption, local, national and international corruption or representational corruption, grand and

A nation emerging from a painful civil war suddenly found itself awash with petrol-dollars. Nigeria had so much money which it did not know how to spend judiciously. This triggered a new wave of foreign invasion and corrupt practices.

petty corruption. Unfortunately all of this typology is pervasive in Nigeria.

The major causes of corruption may be viewed thus:

- Weak institutions
- Criminal Justice system
- Public perception
- The nature of the economy – rent seeking and rent based
- Trade restrictions – to favour the western countries
- Subsidies – government allocating scarce resources to individuals and firms
- Tax Rebates and Tax Holidays
- Price controls
- Poverty
- Poor remuneration and incentive system
- Sociological factors – failure to manage ethnic conflict in a way that is fair to everyone.

IMPACT OF CORRUPTION ON NIGERIAN ECONOMY

The World Bank (2000) asserts that

corruption is the single greatest impediment to economic growth in third world countries including Nigeria. In this paper, I will therefore attempt to examine the impact of corruption directly and indirectly on Government Capital Expenditure, Human Capital Development and Total employment.

EFFECT OF CORRUPTION ON GOVERNMENT CAPITAL EXPENDITURE

Government Capital Expenditure is expenditure on the provision of capital and development projects by the Federal, States and Local government. This is made up of expenditure incurred on the construction of basic infrastructure like roads, bridges, power stations etc., investment in plants and machinery etc.

A study revealed that 20% of the increase in government capital expenditure ends up in private pockets. Recent investigation by the Commission into activities of some government agencies revealed that some of the projects listed and presented for budget performance assessments are merely indicators of budget spending but do not translate to budget delivery in term of objectives of government and budget thrust. This Commission has started addressing the criminal aspects especially in the education and health sectors.

EFFECT OF CORRUPTION ON HUMAN CAPITAL DEVELOPMENT

The near collapse of the Nigerian educational system is an attestation to the devastating effect of corruption on that sector. The consequence of this is that our ivory towers turn out half-baked graduates/professionals who may barely be able to do better than quacks in their fields.

EFFECT OF CORRUPTION ON TOTAL EMPLOYMENT

Total employment refers to the number of

people, both male and female, that were employed in a particular country. It consists of both full-time and part-time workers. As at 2010, Netherlands had a net migration of +50,000; Ghana had -51,258 while Nigeria had -300,000. This staggering figure was as a result of massive unemployment that has become so unbearable, some people have stopped looking for jobs because they have looked for long and have resigned to fate, they are no more applicants. By 2013, UK planned a £3,000 levy on each Nigerian applying to migrate to UK, a country with higher life expectancy. At birth, the male expectancy rate was 79yrs in UK, and 51yrs in Nigeria in 2011. Ghana has 63yrs and Egypt 71yrs at the same time.

The country has not been able to tackle unemployment because all the local industries have gone under while the much touted Foreign Direct Investment (FDI) is facing challenges due to security problems. Liberalization, Free trade and privatization stifle indigenous industries while tax havens are being abused by some crooked elites and companies operating in the country to evade tax payments. The consequence of this is that aggregate government revenue is reduced and inadequate to provide needed government investment to produce needed jobs for the people.

Corruption has adversely affected Nigeria's social and economic development in:

- Diversion of development resources for private gain
- Misallocation of talents
- Loss of tax revenue
- Negative impact on quality of infrastructure and public services
- Slowing of economic growth

THE FIGHT AGAINST CORRUPTION

Before the advent of democracy, the Police and some related agencies were the only ones fighting corruption. However, the establishment of the Independent Corrupt

The near collapse of the Nigeria educational system is an attestation to the devastating effect of corruption on that sector. The consequence of this is that our ivory towers turn out half-baked graduates/professionals who may barely be able to do better than quacks in their fields.

Practices and Other Related Offences Commission (ICPC) and the Economic and Financial Crimes Commission (EFCC) has dealt seriously with the scourge.

WAY FORWARD

Modern day management science advocate prevention as against cure, the fight against corruption like the fight against HIV/AIDS must adopt the ABC approach. We must emphasise transparency, integrity and accountability in all private and public transactions. The Achanism Model is recommended to deal with this cancer. Achanism is named after Achan who appears in the Old Testament of the Bible (Joshua 7) and was avaricious. He was caught and his entire family was severely dealt with. His children, who might have expected to inherit the proceeds of his illegal act were not allowed to do so. The following tools may be employed:

1. Enforcement of Anti-corruption Law – the law should be enforced to its fullest and without fear or favour. The

Law Enforcement Agencies should be strengthened and adequately funded.

2. System Study and Review – examination of corruption prone processes in the institutions and correcting them to strengthen the systems as against individuals.
3. Social Transformation – transformation in the education and mobilization of the public is a necessary factor in social transformation. There is need for formation and reformation, orientation and re-orientation of the minds and hearts of Nigerians for them to see that corruption is the enemy of development.
4. Infrastructural development and social welfare – the effect of this improvement will reduce the tendency of public servants to demand and take bribes and get involved in other corrupt practices.

CONCLUSION

Corruption in Nigeria is systemic and only systemic approaches can curb it effectively; therefore the ICPC has adopted the systemic prevention approach to fight the menace. We have instituted a lot of initiatives and programmes such as National Value Curriculum, children, youths and adults must be given the knowledge and ethical education to distinguish between right and wrong. Our schools must return to the days when Civics was taught in classes and the adults should remember and practice the ethos of those days when exemplary services and life-styles were the pride of all families. The days of celebrating corrupt returnees from prison must be over.

Mr. Ekpo Nta, the Honourable Chairman, Independent Corrupt Practices and Other Related Offences Commission (ICPC) delivered this paper at the anti-corruption workshop organised recently by ICAN in Lokoja, Kogi state.

FINANCIAL ACCOUNTING II (PE II NOV. 2009)

QUESTION 5

- (a) Explain the following methods and procedures followed by the oil and gas companies in accounting for exploration and development costs according to SAS 14 - ACCOUNTING IN THE PETROLEUM INDUSTRY (UPSTREAM ACTIVITIES)

- (i) Full Cost Methods (2 Marks)
- (ii) Successful Efforts Methods (2 Marks)
- (iii) Reserve Recognition Accounting (2 Marks)

- (b) JACKO OIL Limited was formed with authorized share capital of ₦2 billion of which ₦1.2 billion was issued and fully paid. The company engaged in oil prospecting investment in the off-shore coast of Bayelsa State of Nigeria.

During the first year of operations, the following transactions took place:

- (i) Exploration and development cost:
- | | ₦'000 |
|--------|-------|
| AREA W | 800 |
| AREA X | 660 |
| AREA Y | 100 |
| AREA Z | 120 |
- (ii) By the end of the first year
- Area W - was fully explored yielding 90,000 barrels
 - Area X - was fully explored yielding 440,000 barrels out of which 240,000 barrels were extracted
 - Area Y - exploration abandoned because no oil was found
 - Area Z - exploration has reached an advanced stage but the quantity of resources was yet to be established
- (iii) Average production cost in each area of production is estimated at ₦1.00 per barrel.
- (iv) The company is obliged to sell all its oil to NNPC at ₦5 per barrel and the company reckons that its selling price of crude oil and production cost will not change adversely in the nearest future.
- (v) The company paid ₦1 million for the operating license (OPL) and it is the normal practice to amortise licence cost over five years.

Required:

Prepare the Revenue Accounts for the first year of operation using full cost, successful effort and reserve recognition accounting methods. (9 Marks)
(Total 15 Marks)

SOLUTION

(a) (i) FULL COST METHOD

This method involves capitalization of acquisition, exploration and development costs, irrespective of whether or not the activities resulted in the discovery of oil reserves.

The method allows costs to be carried forward where the value of the reserve discovered is at least equal to the cost incurred. However, full cost accounting takes into consideration all the operations of the company and not just the particular area where oil is discovered. The basis of amortization in 'full cost method' is proved reserve.

(ii) SUCCESSFUL EFFORTS METHOD

Under the successful effort method, cost associated with successful wells are capitalized while costs of unsuccessful acquisition and exploration activities are expensed. The use of ceiling tests is not mandatory under the successful effort method and the basis of amortization of pooled cost is only one unit of production basis. The basis of amortization is proved developed reserve.

(iii) RESERVE RECOGNITION ACCOUNTING

With this method, revenue is recognized when the reserve is discovered rather than when the oil is sold. The method allows an enterprise to recognize the value of proved oil and gas reserve as assets. Changes in such reserves are valued as earnings in the financial statements. The method is not in common use and is not recommended by SAS 14.

(b)

JACKO OIL LTD REVENUE ACCOUNT FOR THE FIRST YEAR

Full Cost Method	Successful Effort's Method	Reserve Recognition Accounting
---------------------	----------------------------------	--------------------------------------

	N'000	N'000	N'000
Sales (w1)	1,200	1,200	2,650
Less:-			
Expenses:			
Operating license (w2)	(200)	(200)	(200)
Production cost (w3)	(240)	(240)	(530)
Exploration & Develop (w4)	(702)	(900)	(1,560)
Net profit (loss)	58	(140)	(360)

Working Notes:

1. Sales - Full Cost $N5 \times 240,000 = 1,200,000$
 Successful effort $N5 \times 240,000$
 $= 1,200,000$
 Reserve recognition $N5 \times (440,000 + 90,000)$
 $= 2,650,000$
2. OPL $\frac{N1,000,000}{5}$ N200,000
3. Production Cost
 Full Cost $N1 \times 240,000 = N240,000$
 Successful effort $1 \times 240,000 = N240,000$
 Reserve recognition $N1 \times 530,000 = N530,000$
4. Exploration & Development Cost

Full Cost Method	Quantity	N'000
Area W	90,000	800
Area X	440,000	660
Area Y	-	100
Area Z	-	-
	530,000	1,560

Amount to be capitalized is lower of

$$(I) \frac{290,000}{530,000} \text{ i.e. } (90,000 + 440,000 - 240,000) \times \frac{1,560,000}{1} = N858,000$$

and

$$(ii) (5-1) \times 290,000 \text{ i.e. } (200,000 + 90,000) = N1,160,000$$

$$\text{Amount to be written off to P\&L} = N1,560,000 - 858,000 = N702,000$$

(b) SUCCESSFUL EFFORT METHOD

	Total Amount N'000	Amount Capitalized N'000 (5-1) x 90	Amount Written off N'000
Area W	800	360	440 i.e. (800-360)
Area X	600	Lower of (a) $200 \times 660 = 360$ i.e. (660-300)	

400

and

$$(b) (5-1) \times 200 = 800$$

Area Y	-	100
Area Z	-	-
		<u>900</u>

Working

-	Amount written off (N'000)
c. Area W	800
Area X	660
Area Y	100
Area Z	-
	<u>1560</u>

EXAMINERS' REPORT

The question tests candidates' knowledge of the methods of accounting for oil and gas industries and their application.

Majority of the candidates did not attempt the question; while the few that attempted performed poorly.

The commonest pitfalls of the candidates include the following:

- Poor knowledge of the provisions of SAS14 Accounting in the Oil and Gas industry (upstream activities).
- Inability to distinguish between various types of costs in the Oil and Gas industry.

Candidates are advised to study the relevant provisions of the standards on oil and gas accounting.

QUESTION 6

Jaycee Industries Pls uses the following codes in its nominal ledger:

11500/00011/0008	Sales of computers in Abuja
11500/00013/0006	Sales of Printers in Enugu
11500/00016/0003	Sales of flash drives in Ibadan
11300/00015/0004	Purchase of monitors from Kaduna
11300/00014/0007	Purchase of keyboards from Lagos
10202/00101/0002	Commissions to marketers in Onitsha

Required:

- State the codes for the following:
 - Commission to marketers in Abuja

- (ii) Sales of Computers in Onitsha
 - (iii) Sales of printers in Lagos
 - (iv) Purchase of flash drives from Enugu
 - (v) Purchase of keyboard from Ibadan
 - (vi) Commission to marketers in Lagos
 - (vii) Purchase of monitors from Enugu
 - (viii) Sales of keyboards in Abuja
 - (ix) Sales of flash drive in Onitsha
 - (x) Purchase of printer from Ibadan
- (5 Marks)

- (b) One-off costs associated with developing a computerized accounting system can be capital or revenue in nature.

Give FOUR examples each of one-off cost; capital and revenue. (4 Marks)

- © State any SIX uses for which the electronic spreadsheet can be employed in Accounting. (6 Marks)
- (Total 15 Marks)

SOLUTION

- a.
- i) 10202/00101/0008
 - ii) 11500/00011/0002
 - iii) 11500/00013/0007
 - iv) 11300/00016/0006
 - v) 11300/00014/0003
 - vi) 10202/00101/0007
 - vii) 11300/00015/0006
 - viii) 11500/00014/0008
 - ix) 11500/00016/0002
 - x) 11300/00013/0003
- b.
- One-off Cost (Capital)
- i) Hardware Cost
 - ii) Networking Cost
 - iii) Installation Cost
 - iv) Cost of provision of additional space
- One-off Cost (Revenue)
- i) Hiring of new specialist strategy
 - ii) Staff training cost
 - iii) System development cost e.g. testing and converting cost
 - iv) Redundancy payment as a result of introducing the new system
- c. Uses of Electronic Spreadsheet

- i) Payroll preparation
- ii) Financial analysis and ratios
- iii) Data capture and analysis
- iv) Credit analysis
- v) General ledger and sub-ledgers
- vi) Preparation of trial balance
- vii) Inventory analysis
- viii) Treasury analysis
- ix) Budgeting analysis
- x) Preparation of profit and loss account
- xi) Preparation of balance Sheet
- xii) Preparation of cashflow statement

EXAMINERS' REPORT

The question tests the candidates' understanding of application of Information Technology (IT) in an accounting environment.

The general performance was above average. Some candidates could however not state the uses of electronic spreadsheet.

Candidates are advised to show more interest in information technology by consulting relevant and current journals on this topic and learn practical application of I.T. in order to further improve their knowledge in this area.

INTERMEDIATE, MAY 2009, COST ACCOUNTING

QUESTION 2

- (a) Fine Houses Construction Limited is engaged in the construction of a new project called Contract AJ 20. The following relates to the project as at 31 March 2008.

CONTRACT AJ 20

	N
Wages	84,312
Materials delivered direct to site	108,406
Materials from Main store	1,314
Materials transferred to Ax19 site	3,180
Plant purchased (at cost)	25,000
Plant transferred to AJ 20 site	10,500
Sub-contractors charges	39,160
Site expenses (power etc)	10,172
Materials on site: 31 March, 2008	36,600
Plant on site: 31 March, 2008	29,500
Prepayments as at 31 March, 2008	1,014

Accrued wages at 31 March, 2008	1,842
Sales value of work completed	235,000
Cost of work completed	204,600
Progress payments received from clients	230,000
Head office charges are 10% of wages	

The contract value is N1,100,000 and it is anticipated that there will be further costs of N750,000 (including guarantees and rectification claims). As this is the first year of the contract, no profit has been taken previously.

Required:

From the above, prepare the Contract Account for the year, the Balance sheet entries as at 31 March 2008. It is company's policy to take as interim profit, the difference between the sales value and cost of work completed. (Approximate to the nearest Naira).

(12 Marks)

(b) How are plant capital costs dealt with in contract accounts?

(2 Marks)

(Total 14 Marks)

SOLUTION

CONTRACT AJ 20 ACCOUNT

	N		N
Site wages	84,312	Material transferred out	3,180
Accrued wages	1,842	Prepayment c/d	1,014
Materials purchased	108,406	Material @ site c/d	36,600
Materials from stores	1,314	Plant on site c/d	29,500
Plant purchased	25,000	WIP c/d	14,427
Plant transferred in	10,500	Cost of work completed	204,600
Sub contractors	36,160		
Site expenses	10,172		
Head office charges	8,615		
	<u>289,321</u>		<u>289,321</u>
Cost of work completed	204,600	Sales values of work completed	235,000
Profit for the year	30,400		
	<u>235,000</u>		<u>235,000</u>

FINE HOUSE CONSTRUCTION LIMITED BALANCE SHEET EXTRACT AS AT 31/3/2008

	N	N	N	N
Fixed Assets	Cost	Acc. Dep		Net Book Value
Plant	<u>35,500</u>	<u>6,000</u>		29,500

Current Assets		
Stock: Raw Materials	36,600	
Work in Progress	19,427	
Prepayment	<u>1,014</u>	57,041
Current liabilities		
Wages accrued		<u>(1,842)</u> 55,194

(b) The usual ways in which plant costs are dealt with are as follows:

- (i) When plant is leased: The leasing charges are debited directly to the contract.
- (ii) When plant is purchased: There are two methods in common use:
 - Charge new plant at cost to the contract for which it was purchased. When the plant is no longer required and is transferred to another contract or to base, the original contract would be credited with the second hand value of the plant.
 - Where plant is moved frequently from contract to contract or where contracts are relatively short, a "Plant Service Department" is created. This Department organises transfer of plant from contract to contract as required and each contract is charged a daily or weekly rental.

EXAMINERS' REPORT

The question tests candidates' understanding of the requirements of Contract Costing. This seems popular and familiar with candidates as majority of the candidates attempted the question.

Performance was fairly good. About half of the candidates who attempted the questions performed above average.

Pitfalls identified were in the following areas:

- Inability to determine profit to be taken.
- Wrong treatment of plant on site, closing stock and cost of work not yet certified.
- Inaccurate presentation of balance sheet extract.

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