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EDITORIAL

We thank God for making it a reality for us to publish this maiden edition of the *Global Journal of Accounting*. It has been a herculean task. We thank and appreciate all the individuals who assisted us in diverse ways to achieve this feat.

The Department of Accounting, University of Lagos, is a leader in Accounting Education in Nigeria and Africa. This achievement is a good step forward in our developmental process both in the Department of Accounting and the Faculty of Business Administration.

The problem of lack of reputable outlets for our research efforts and manuscripts is now removed. And we believe this shall be permanent by the grace of the Almighty God.

We thank Mr. Leke Taiwo, the Chief Executive/Managing Director of Pumark Nigeria Limited (Educational Publishers), for his unflinching support, cooperation and assistance in making our dreams materialise. He has been extra-ordinarily wonderful and helpful. Without being initially paid a ‘kobo’, he embarked on the assignment to get the journal out promptly. May the Lord continue to bless his publishing business and entire life.

We are grateful to the members of the Editorial Advisory Board for their efforts and assistance. Mrs. C.A. Ajayi, Dr. Eddy Omolehinwa (the Head of Accounting Department) and Mr. S.B. Adeyemi deserve our special mention and gratitude for their absolute cooperation and assistance. We are also grateful to all the Secretarial/Administrative staff members of the Department of Accounting. We believe that we can always count on their readiness to help at all times.

Thank you all.

EDITORIAL POLICY

The *Global Journal of Accounting* accepts research manuscripts with good evidence of scholarship. These may involve new knowledge, integration or application of existing theory or knowledge. All manuscripts must show new ideas, theoretical or applied, in all areas of accounting, auditing, taxation, various facets of management and banking/finance.

We shall publish good book reviews and topical “commentaries” on contemporary issues.

All manuscripts will be reviewed by our esteemed evaluators/assessors. Only manuscripts based on originality of ideas/concepts and the basic support advanced for such ideas will be considered for acceptance and publication.

*Professor B.O. Ogundele, Professor of Accounting, University of Lagos.*

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**THE DEVELOPMENT OF ACCOUNTING IN NIGERIA: PRACTICE, EDUCATION AND TRAINING**

**SEMIU BABATUNDE ADEYEMI***

&

**PROF. B. O. OGUNDELE***

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**ABSTRACT**

The rapid changes in the field of accounting necessitate an occasional evaluation of development in major areas to enable positive changes in the profession. Drawing on a number of primary and secondary sources, this study outlines the undertakings of the key institutional role-players in accounting development in Nigeria in the pre- and post-independence periods. The study focuses on accounting education, training, and practice. A number of significant achievements have been recorded which make the profession remarkable in providing valuable services in the socio-economic development of Nigeria. The country's colonial affiliation has had positive impact on the standard observed. However, opportunities exist for improvement, especially, in research and quality of output in view of dynamic global demands. A joint effort of the part of stakeholders is recommended to consolidate the achievements already recorded and uplift the reporting standard in Nigeria and Africa.

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**I. INTRODUCTION**

The evolution and development of accounting in Nigeria have been greatly influenced by the history of accounting in the United Kingdom. Great Britain had colonized Lagos, the economic nerve-centre of the geographical territory now known as Nigeria, since 1860 (Mazour and Peoples, 1975) and has been the transmitter of modern business and economic systems to the developing country. The birth of formal economic system in Nigeria was the catalyst for the flourish of accounting. Accounting scholars have identified four phases in the development of accounting (Glautier and Underdown, *S.B. Adeyemi & Prof. B.O. Ogundele are Lecturer & Professor in the Department of Accounting, University of Lagos, Lagos, Nigeria.*
DESIGNING APPROPRIATE BASIC ACCOUNTING SYSTEM FOR SMES

E.K. AKERELE*

INTRODUCTION

In the economies of developing or third world countries, Small and Medium Enterprises (SMEs) play crucial roles. Nigeria, being a prominent member of this bloc, is no exception. It is in realization of these roles that there has been strong advocacy with continued impetus for the promotion of SMEs that deliberate policies have at various times led to the establishment of people-oriented programmes such as Family Support Programme (FSP), Family Economic Advancement Programme (FEAP), Better Life For Rural Women and, currently Poverty Alleviation Programme (PAP).

Bowel, (1972) stressed that the most important role played by SMEs in a nation's economy is that it provides a means of entry into business for new entrepreneurial talent and the seedbed from which new large companies will grow to challenge and stimulate the established leaders in industry.

Ibe. (2000) opined that the road to true industrial development lies in the nurturing of SMEs which have the potential to produce not only the daily needs of Nigerians but also to produce for the export market abounding in the West African Sub-region. Hence their dependence on traditional skills can contribute to building up the supply of manufacturing managerial and entrepreneurial experience which can in turn form the basis of industrial expansion.

The SMEs can respond quickly and at less cost than big business to the rate of changes in products, services, processes and markets.

Besides, SMEs tend to check rural - urban drift and thereby contribute to rural development invariably, they help to ensure dispersal of industrial ventures and development in the country by spreading modern technology.

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Moreover, SMEs give a new and broader significance to the concept of Nigerianisation of the economy and ensuring that Nigerians have a strong hold of the economy thus bringing about real economic independence. They broaden the distribution of economic and political power and leverage.

Despite the potentials of SMEs to transform the national economy, Nigerian is yet of harness in full these potentials. But why? The reasons are multi-various as enumerated in section two below. Financing does not easily and readily come because SMEs need it, practical steps need to be taken by SMEs to be attractive to financial institutions and this can be achieved through proper positioning of such company. One of the requirements to access bank funds is the ability of a prospective borrower to keep and present a clean book of accounts and records whenever demanded.

PROBLEMS INHERENT IN SME'S

Most of these problems are highlighted below with emphasis on poor accounting system.

i. High Rate of Business Failure;
ii. Shortage of Skill;
iii. Under Capitalisation
iv. Indiscipline
v. High Import Dependence
vi. Inadequate Infrastructure
vii. Restricted Access to bank Credit Loan
viii. Aversion of Disclosure.

Many small and medium scale industries have a great aversion to prevail the details of their operation, such as supply sources, production processes, production costs, profit margins and difficulties encountered. Full disclosure about their operation is regarded by some SME’s as an incursion on privacy while some are reluctant to let any one advise them on how to run their business. Less than full disclosure by SME’s often attracts inappropriate advice and sometimes lead to pursuit of wrong investment policies.

ix. Inadequate and Non-harmonized Incentives:

Small and medium scale entrepreneurs are not well informed on the facilities available for assisting them. Where they are informed, they are often uncertain of or hindered by the procedural steps to gain access to funding, training and extension services.

Poor Accounting System

Many do not keep proper records of disbursement and receivables. Often, they do not fully account for labour cost neither do they distinguish between own fund or assets and liabilities are not properly accounted for, source and uses of funds are often not classified and consequently, estimated profits or losses do not truly reflect the return on capital invested. Good planning therefore poses a big problem and cash inflow very often lags behind outflows. In general, poor accounting and record keeping inhibit their access to institutional credit. Many SME owners find it difficult to separate the company’s fund from their personal money. They treat the two as one.

ACCOUNTING AS THE LANGUAGE OF BUSINESS

An understanding of the principles of accounting is of paramount importance to a modern business executive. Without it, the executive lacks a fundamental tool needed for problem-solving.

This does not mean, of course, that he must be specialist in the routines and minutiae which are found in the operation of an accounting system. He doesn’t need the technical competence of a paid accountant. The fact is, accountants who do the actual recording of data are a declining breed because of the increasing use of computers.

What he (the executive) does have to understand is how financial statements evolve. Only then can he interpret them and take action based on the message they convey.

If anything, the function of accounting is becoming increasingly important. Business are constantly growing in size and complexity. It is impossible to commit the multiple transactions of a modern business to memory. and it is unthinkable that anyone would rely on guesswork. Just the problem of rendering a financial report to Local, State and Federal Government bodies for tax purposes makes accounting a categorical imperative today. Accounting provides the information needed for a business to attract investors, establish lines of credit, plan for the future, pinpoint problem areas and improve profits. An appropriate accounting system is a sine qua non for the attainment of these objectives.
PROVISION OF THE LAW AND STANDARDS ON ACCOUNTING RECORDS

Part XI Chapter 1 of CAMA, 1990 (as amended) covers sections 331 to 356. It requires every company which is governed by the Act to prepare accounting record which should show and explain the transaction of the company and sufficient to disclose with reasonable accuracy at any time: the financial position of the company and enable directors to ensure that any financial statements prepared comply with the requirements of the Act as to form and contents of the financial statements.

Section 331, subsection 3 of CAMA, 1990 states that the accounting records should in particular contain entries, from day to day of all sums received and expended by the company and the matters in respect of which the receipt and expenditure take place and a record of the assets and liabilities of the company.

The responsibility for the preparation of the financial statements of companies is vested in their Directors under section 334 which also explained that the financial statements of a company for each financial year should include, among others:

- Statement of the accounting policies
- The balance sheet as at the last day of the financial year
- A profit and loss account for the year
- Notes on the accounts
- The auditors reports
- The statement of sources and application of fund (now statement of cashflows).
- The value added statement for the year
- A five-year financial summary; and
- In the case of a holding company; the group financial statements.

A private company, under section 333, subsection 3 of CAMA, 1990 need not include the statement of accounting policies, statement of source and application of fund (cash flow statement), value added statement, a five year financial statements. (An SME may fall under this category).

Furthermore, Schedules 2 to 7 of CAMA, prescribed two formats for balance sheet and 4 formats for the profit and loss account with explanations as to contents of every item of the financial statement.

The prescribed format of the financial statements as contained in CAMA of 1990 are most suitable to merchandising concerns. However, there are provisions of other regulations that are specially designed for specialized industries like the banks and insurance companies.

DURATION FOR ACCOUNTING RECORD

Though section 332 of CAMA, 1990 gives the Directors the power to exercise their discretion on the place where accounting records of a company are to be kept, it, however, requires the directors to preserve the accounting records of a company for a minimum period of six years.

ANNUAL RETURNS

Every company is required to submit its Annual Returns, in the prescribed manner to Corporate Affairs Commission (CAC), at least once a year.

A newly registered company may not submit a return in the year of incorporation but is required to prepare and submit its first returns to the Corporate Affairs Commission not later than eighteen months of existence.

Section 377 of CAMA, 1990 requires a copy of the audited financial statement, product of accounting record among other documents, to be annexed to the Annual Reports.

THE ACCOUNTING STANDARDS:

The Statement of Accounting Standards No 1 (SAS 1) on Disclosure of Accounting Policies requires limited liability companies to disclose the accounting policies adopted in the preparation of the financial statements. Compliance with this Standard ensures compliance with international Accounting Standard No 1 (IAS) in all material respects.

SAS 2 – Information to be Disclosed in Financial Statements is the Nigerian version of IAS 5.
The expectations of these standards/guidelines are in most cases not at variance with statutes. However, in the unlikely event that the standards contradict the statutes, the latter shall prevail.

WHAT IS A SYSTEM?
The word “SYSTEM” has various meanings

It can mean a group of things or parts working together as a whole e.g a railways system, a system of ropes and pulleys.

(ii) A human or animal body as a whole, including its internal organs and processes e.g digestive system; immune system.

(iii) The traditional methods, practices, rules existing in a society, an institution, a business, etc.

(iv) A set of ideas, theories, procedures, etc according to which something is done, e.g the Nigerian legal system, the computer operating system, the accounting system.

A system must be described for it to have meaning

An Accounting System is thus, a set of theories and procedures according to which accounting functions are carried out.

Accounting is the collection and recording of financial data about an organisation and analyzing the data so collected to suit the decision that needs to be taken and reporting the relevant information in a summary form to the user in a form that is meaningful to him or her.

Distinction Between Book-keeping and Accounting

Book-Keeping is just an aspect of accounting just as arithmetic is part of mathematics.

This is because book-keeping in concerned with the collection and accurate recording of the financial data while Accounting goes beyond this to classify and summarise the accounting data so collected into financial statements that are useful to the decision maker.

Thus, while a book-keeper is not expected to have a thorough knowledge of accounting, an accountant must always have a thorough knowledge of book-keeping.

THE ACCOUNTING SYSTEM
An efficient and effective accounting system will be an amalgam of the following:

Organogram – organisation structure of the accounts department indicating line of authority and responsibilities.

Budgeting and Budgetary Control – A budget is a statement of future expectation with regard to production, income and expenditure. Budget is important to all aspects of a business, since both top and middle management base much of their planning on projections. Budgets must have in-built control mechanisms such as variance analysis for tracking.

Book-Keeping - Collection, accurate and timely recording of financial data is imperative.

Periodic Preparation of Management Accounts
- Weekly, monthly, quarterly, half-yearly and yearly
- Audited accounts
- Filing of relevant statutory returns to avoid negative sanction.

Report Generation – for planning and decision making

The Profit and Loss Account
- Element of income and expenditure with appropriate ledgers

The Balance Sheet – The financial photograph through which the Net-worth of the business can be determined.

Internal Control – all forms of control financial and otherwise established by management to safeguard the assets and liabilities of the establishment and engender accuracy and completeness of recording.

A Good Internal Control System Must Have The Following Characteristics:

- Separation of duties
- Specified organizational structure
- Control measure
- Acknowledgement of performance
- Protective devices
- Pre-review
- Post-review
Verification, review and amendment to the system.
- Internal Audit.

**Necessary Records for Daily Book Keeping of SMES.**

For proper accountability, business contract can be broken down into much smaller units called transactions. Any transaction also has two aspects.

1. The receiving of a benefit
2. The giving of a benefit

A proper record of a transaction must disclose these two aspects, so that the history, personalities and value will not be forgotten.

A company enters into hundreds of transactions every day some of these transactions deal with people outside the company and people within the company (employees), these are called personal transactions. Sometimes these transactions are within the different units of the same company, e.g. materials are moving from the stores to the production floor and vice versa, finished goods moving from the production floor to the stores. These types of transaction are called impersonal transactions to show that they are essentially abstract in nature.

All transactions in a formal business environment must be recorded. The dual nature of a transaction has been given specific symbols.

The giver of a benefit is credited Cr.

The receiver of a benefit is debited Dr.

Traditionally in accounting, transactions are recorded in what we call accounts. An account is simply a page of a book divided into two equal sides.

<table>
<thead>
<tr>
<th>DR.</th>
<th>CR.</th>
</tr>
</thead>
<tbody>
<tr>
<td>DEBIT SIDE</td>
<td>CREDIT SIDE</td>
</tr>
</tbody>
</table>

The left hand side is called the debit side and the right hand side is called the credit side. An account must be given a name which normally derives from the nature of the transaction e.g. cash account, sales account, purchases account, salaries account, electricity account, etc. The two sided nature of an account recognizes the possibility that the same account

<table>
<thead>
<tr>
<th>DATE</th>
<th>DETAILS</th>
<th>REF</th>
<th>AMOUNT</th>
<th>DATE</th>
<th>DETAILS</th>
<th>REF</th>
<th>AMOUNT</th>
</tr>
</thead>
</table>

Different accounts are opened for different types of transactions. However when there are two or more transactions of the same type recorded in the same account, the date of occurrence determines precedence of recording. The earlier occurring transactions being recorded first, there is thus progression from one day to another.

The rule to be followed here is that a transaction always includes two accounts, an account which receives a benefit is debited and that which gives benefit is credited with the monetary value of the benefit. The results of the application of this system is that for every debit entry, there must be a corresponding credit entry.

**Illustration:-**

EKA Limited was incorporated on 1st of January, 2000 as an IT accessory-producing company with capital of N1,000,000 in a bank account. In that month of January the following transactions took place.

2/1/00  Acquired lease hold office for N20,000.00 from Jet Estate Limited.

4/1/00  Paid Jet Estate Limited for the lease.

7/1/00  Awarded repairs and renovation work of the building to Build More Limited for N5,000.00 and paid 50% immediately according to contract.

14/1/00 Bought office equipment etc, for N30,000.00 from office equip and paid N10,000.00 deposit.

17/1/00 Bought stock of children toys wholesale from small world Limited for N80,000.00 and paid N50,000.00 immediately.
Bought a second-hand motor vehicle for N12,500.00 for delivery purposes from Safeway Motor and paid immediately by cheque.

Withdrew N1,000.00 from the bank into the petty cash box to meet minor expenses.

Sold his first product to Buy-rites Limited totaling N20,000.00. Buy-rites paid N15,000.00 on account.

Cash sales totaling N5,000.00.

Motor vehicle expenses for N500.00.

Office stationery for N150.00.

Minor accident by a staff with medical charges of N35.00 in cash.

Paid salaries to workers N2,500.

Buy-rites returned some goods found damaged at the time of testing worth N800.00.

General exercise carried out to detect goods damaged in stock totaling N3,000.00 returned to Small World Limited.

Installed telephone for N1,500.00.

All the above to be first analysed in double entry before being posted in double entry.

(a.) Double Entry Analysis

<table>
<thead>
<tr>
<th>Dr.</th>
<th>Cr.</th>
</tr>
</thead>
<tbody>
<tr>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>1.   Bank Account</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Share Capital Account</td>
<td>1,000,000</td>
</tr>
<tr>
<td>2.   Leasehold Office</td>
<td>20,000</td>
</tr>
<tr>
<td>Jet Estate Limited</td>
<td>20,000</td>
</tr>
<tr>
<td>3.   Repairs &amp; Renovation</td>
<td>5,000</td>
</tr>
<tr>
<td>Build More Limited</td>
<td>5,000</td>
</tr>
<tr>
<td>4.   Leasehold Account</td>
<td>5,000</td>
</tr>
<tr>
<td>Repairs &amp; Renovation</td>
<td>5,000</td>
</tr>
<tr>
<td>Build More Limited</td>
<td>2,500</td>
</tr>
<tr>
<td>Bank</td>
<td>2,500</td>
</tr>
<tr>
<td>6.   Office Equipment Account</td>
<td>30,000</td>
</tr>
<tr>
<td>Bank</td>
<td>10,000</td>
</tr>
<tr>
<td>Creditors-Office equip</td>
<td>20,000</td>
</tr>
<tr>
<td>7.   Purchases</td>
<td>80,000</td>
</tr>
<tr>
<td>Bank</td>
<td>50,000</td>
</tr>
<tr>
<td>Creditors-Small World</td>
<td>30,000</td>
</tr>
<tr>
<td>8.   Motor Vehicle Account</td>
<td>12,500</td>
</tr>
<tr>
<td>Bank</td>
<td>12,500</td>
</tr>
<tr>
<td>9.   Petty Cash Account</td>
<td>1,000</td>
</tr>
<tr>
<td>Bank</td>
<td>1,000</td>
</tr>
<tr>
<td>10. Bank</td>
<td>15,000</td>
</tr>
<tr>
<td>Debtors-Buy-rites</td>
<td>5,000</td>
</tr>
<tr>
<td>11. Petty Cash Account</td>
<td>20,000</td>
</tr>
<tr>
<td>Sales Account</td>
<td>20,000</td>
</tr>
<tr>
<td>Bank</td>
<td>5,000</td>
</tr>
<tr>
<td>12. Motor Vehicle Expenses Account</td>
<td>500</td>
</tr>
<tr>
<td>Petty Cash Account</td>
<td>500</td>
</tr>
<tr>
<td>13. Office Stationery Account</td>
<td>150</td>
</tr>
<tr>
<td>Petty Cash Account</td>
<td>150</td>
</tr>
<tr>
<td>14. Medical Expenses Account</td>
<td>35</td>
</tr>
<tr>
<td>Petty Cash Account</td>
<td>35</td>
</tr>
<tr>
<td>15. Salaries Account</td>
<td>2,500</td>
</tr>
<tr>
<td>Bank</td>
<td>2,500</td>
</tr>
<tr>
<td>16. Goods Return Inwards Account</td>
<td>800</td>
</tr>
<tr>
<td>Buy-rites Limited</td>
<td>800</td>
</tr>
<tr>
<td>17. Sales Account</td>
<td>800</td>
</tr>
<tr>
<td>Goods Return Inwards Acct</td>
<td>800</td>
</tr>
<tr>
<td>18. Small World Limited Acct</td>
<td>3,000</td>
</tr>
<tr>
<td>Return Outwards Account</td>
<td>3,000</td>
</tr>
<tr>
<td>19. Return Outwards Acct</td>
<td>3,000</td>
</tr>
<tr>
<td>Purchases</td>
<td>3,000</td>
</tr>
<tr>
<td>20. Telephone Account</td>
<td>1,500</td>
</tr>
<tr>
<td>(Furniture &amp; Fitting) Bank</td>
<td>1,500</td>
</tr>
</tbody>
</table>

For the purpose of this illustration, the expenses is treated as a capital item and added to office equipment and thus described as a fixed asset.
The double entry analysis of the illustration is referred to in accounting as Journal posting. A journal is an expression of a transaction in double entry form, however complete journal would also carry a narration to explain the nature of the transaction. An example of this is as depicted below.

**A Journal**

<table>
<thead>
<tr>
<th>Dr.</th>
<th>Cr.</th>
</tr>
</thead>
<tbody>
<tr>
<td>N</td>
<td>X</td>
</tr>
<tr>
<td>N</td>
<td>X</td>
</tr>
</tbody>
</table>

**Narrations**

Being…………………………. (Describe the nature of the transaction)

The control in using journal is to ensure completeness and accuracy of records in that the additions of entries on the debit and credit columns must be equal.

The document used in recording a journal is called a Journal Voucher.

**Accounting Documentation**

The business transactions are first of all put into formal record keeping in what we call an accounting document. These are stationery designed to record significant information of a business transaction. These documents can be said to contain three main areas.

i. The area dealing with information as to the parties to the transaction;
ii. The area stating the nature and type and the amount involved in the business transaction;
iii. The areas that show that the parties to the transaction possess the necessary authorities and intend a formal business relationship.

So in essence, a good account documentation must have the information listed below:

i. Name of company/department issuing the document and initiating the business relationship
ii. Name of company / department receiving the document and agreeing to business relationship
iii. Date of the business relationship
iv. Serial Number of the document for ease of identification.

Thus an accounting document is only the prima facie evidence of the transaction. It makes no attempt to classify it according to the double entry principles of book-keeping. Design of accounting documentation thus varies from company to company, the ultimate objective is that design lends itself to easy data collection and analysis.

**ACCOUNTING RECORDS**

To facilitate reference, accounting documents are further collated according to similarity, into records. That is, all transactions of the same type are collated into records. Examples are:

i. Sales records in the form of a SALES DAY BOOK which collates all sales invoices in serial numbers on daily basis.
ii. Purchases records in the form of a PURCHASES DAY BOOK which collates all purchases invoices in date order.
iii. PETTY CASH BOOK which collates all petty cash expenditure from petty cash vouchers.
iv. STOCK RECORD (LEDGER) which collates the receipts and issues of all stock via goods received notes and store issue notes, store transfer note, Return Inward note, Return Outwards note etc.
v. CASH BOOK which collates all cash expenditure from payment vouchers and all cash receipts issued at the time of collection.
vi. **FIXED ASSET REGISTER** – Containing the details of all the company's fixed assets on an individual asset basis. To a large extent, accounting records are not kept in a double entry basis, they only represent one side of the transaction.

**Accounts Books**

These also are formed from accounting records, that is further collation of records such that summary of transactions are easily and quickly determined. The main books of accounts are:

- The Ledger
- The Journal
- The Cash Book
- Fixed Assets Register

**The ledger** - This is the main book of accounts and is subdivided as analysed below:

```
\[ \text{LEDGER} \]
\[ \text{PERSONAL} \]
\[ \text{DEBTORS LEDGER} \]
\[ \text{TANGIBLE} \]
\[ \text{Fixed Assets, Stock, Work-in-progress} \]
\[ \text{INTANGIBLE} \]
\[ \text{Patents, Goodwill, Trade Marks} \]
\[ \text{IMPERSOINAL} \]
\[ \text{CREDITORS LEDGER} \]
\[ \text{REAL} \]
\[ \text{NOMINAL} \]
\[ \text{All Expenses A/C} \]
\[ \text{All Income A/C} \]
```

Ultimately, all transactions are entered into the ledger through accounting records. The ledger is kept in the principle of double entry. The cash book itself is supposed to be represented in the nominal side of the ledger, but because of the number of entries, it has been separated into a book of its own. In a lot of companies, an account for cash is still kept in the ledger but it is the summary on a periodic basis which is entered into the ledger.

**GENERAL PROVISIONS FOR THE DESIGN:**

1. In accordance with the statute(s) and standards, the accounting system for SMEs should be formulated to prescribe accounting treatment that will ensure that true and complete accounting information is provided.

2. An SME should adopt a set of accounting policies and methods suitable for the enterprise in accordance with the requirements of the relevant laws, standards and in the light of the specific circumstance of the enterprise.

3. An SME should prepare accounting vouchers and accounting ledgers, and manage accounting files and records in accordance with the requirements of CAMA 1990 (as amended), standards and specialized statutes (where applicable).

4. An SME should account for all the transactions and events undertaken by the enterprise so as to properly record and reflect its production and operating activities for accounting purposes.

5. It should be presumed for accounting purposes that the enterprise is a continuing entity and will remain in normal production and operating activities in the foreseeable future.

6. An SME should close the accounts and prepare financial and accounting report for separate accounting periods. Accounting periods comprise a full year, a half-year, a quarter or a month.

7. An SME should use *Naira* as the recording currency for accounting purposes, except as follows:

   i. A foreign currency can be used as the recording currency if the enterprises transactions are mainly dominated in foreign currencies.
However, the foreign currency books of account should be translated to Naira in preparing financial and accounting reports.

ii. A Nigerian SME established abroad should translate the financial and accounting reports into Naira for reporting purposes.

8. The double entry (i.e debit and credit) book-keeping system should be adopted.

9. Accounting records should comply with the following basic principles for accounting purposes:

i. Accounting information should be prepared on the basis of the transactions and events that have actually occurred and should truly reflect the financial position, operating results and cash flows of the enterprise.

ii. An SME should account for transactions and events according to their economic substance and should not merely refer to their legal form.

iii. Accounting information provided by an SME should be capable of reflecting the financial position, operating results and cashflows of the enterprise in order to meet the needs of accounting information users (Creditors, bankers, Govt. Researchers, Employees Shareholders, Potential investors).

iv. An SME should apply accounting treatments consistently throughout different periods.

v. An SME’s accounting should comply with prescribed accounting treatments. Accounting information should be comparable, and prepared on consistent bases.

vi. Accounting information should be prepared in a timely manner and should not be prepared in advance or delayed.

vii. Accounting information and financial and accounting reports should be prepared in a clear and concise manner, so that it can be readily understood and used.

viii. Accounting information should be prepared on actual basis.

ix. Revenue should be recorded at the actual cost at the time of acquisition.

x. An SME should reasonably classify expenditure as revenue in nature or capital in nature.

xi. An SME should comply with the requirements of the prudence concept for accounting purposes. An SME should not over-state assets or revenue, or understate liabilities or expenses. However, it should not provide for any hidden reserve.

xii. An SME should comply with the requirements of the materiality concept for accounting purposes.

CONCLUSION AND RECOMMENDATIONS

In the words of Prof. A.R. Anao, (An Introduction To Financial Accounting, 2002 pg. 7) “Accounting finds application in almost all fields of human endeavour wherever resources are committed to the pursuit of specified objective and it is the desire to monitor and control performance and resource allocation so as to ensure optimum returns”.

Accounting also plays the role of measuring and communicating to interested parties the rate of resource utilization and the results achieved therefrom. Interested parties are in this way able to carry out periodic evaluation of results and institute any necessary efficiency.

With the Equity Funding Scheme in place, an SME cannot afford to have a lackadaisical approach to timely and accurate preparation and generation of accounting information. This can be achieved via:

a. Availability of quality staff
b. Well structured accounting system
c. Timely preparation of accounts
d. Timely rendition of returns
e. Compliance with relevant statutes and standards
f. Developing entrepreneurs capable of initiating high tech with locally sourced materials.
g. Separation of business transactions from personal/private transactions.

In my own opinion, the banks have been funding SMEs, but the latter have not reciprocated the good gesture of the lenders. Banks have burnt their fingers in this respect in the past, and now, they cannot be too cautious in taking another lean.
REFERENCES


INFORMATION TECHNOLOGY AND PUBLIC SECTOR ACCOUNTING IN NIGERIA

MR. S.O. ADELAJA*

INTRODUCTION

In the process of corporate governance either in the private sector or public sector, the need for availability of vital information cannot be over-emphasized. Both the private and public sectors need financial information for the purpose of decision making. In the past, financial information processing involve manual or mechanical computations with the aid of calculators or accounting machines.

In the present age, the world is fastly moving towards the application of information technology in the process of generating information for decision making. Information technology is defined in the Longman Dictionary of Contemporary English as “the use of electronic processes for storing information and making it available.” E.W. Martin (1994) defined “information” as data (usually processed data) that are useful to a decision-maker”.

Therefore since current development in information technology is revolutionizing the processes of decision-making, no organization, be it private or public, can afford to remain unconcerned with the turn of events.

One device that is of paramount importance in information technology is the Computer. According to Williams, Morris, (1982) computer is an electronic machine that computes, performs high speed mathematical or logical calculations, assembles, stores, correlates or other-wise processes and prints information derived from coded data in accordance with a predetermined programme. Computer facilitates free flow of information to the top management in order to enable it take vital decisions that are critical to the achievement of its corporate goal.

This paper is aimed at discussing the tremendous impacts the adoption of information technology could have on public sector accounting. The paper is divided into five sections, starting with introduction as section one. Section

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