Accounting

A BOOK OF READINGS

- In compliance with IASB-IFRSs and ICAN - 2019 Syllabus.
- Contains several comprehensive questions and suggested answers.
- Intellectual contributions from over 27 Universities and ICAN accredited training centres in Lagos.

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ACCOUNTING: A Book of Readings

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PREFACE

This Book of Readings is an Accounting Encyclopedia of topics in financial accountir financial reporting and corporate reporting. It is a product of collaborative effort betwe intellectuals within the Department of Accounting in institutions of higher learning. This Tea Work gives the ability to comprehensively study accounting from the initial stage of financi accounting through financial reporting and to its ultimate corporate reporting. The union of tl academic expertise from universities, and analytical proficiency from professional trainin centres in Lagos, makes this Book of Readings an exciting and innovative project that wi certainly increase our understanding of the applicable Standards to accounting as at today – IA 1, 2, 7, 8, 10, 12, 16, 19, 20, 21, 23, 24, 26, 27, 28, 29, 33, 34, 36, 37, 38, 40, 41 and IFRS 1, 2, 3, 4 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17...

The Book of Readings became necessary with the introduction of IFRS by the Internationa Accounting Standards Board (IASB) in London and its subsequent adoption in Nigeria in th year 2012, which made existing study text in financial reporting obsolete. Furthermore, th publication of a new syllabus for the ICAN qualification in consultation with key stakeholders in 2019, makes it necessary to review accounting texts existing prior to 2019. The new ICAN syllabus addresses amongst others sustainability developments and emphasise sufficien expertise to deal with, social, environmental, ethical, integrated and sustainability requirements going forward (regulatory and non regulatory).

The Book of Readings is divided into three parts, spanning seventy (70) chapters. PART ONE is concerned with financial accounting – summary, analyzing and reporting of financia transactions for general use. PART TWO is concerned with financial reporting – process o producing reports in line with GAAP – IFRSs. PART THREE is concerned with presentation anc disclosure aspects of reporting and includes social, environmental and ethical reporting sustainability reporting and integrated reporting amongst others. The Book of Readings is ir tandem with the National Universities Commission (NUC) Benchmark in accounting and ICAN latest syllabus, 2019. Based on this, the Book of Readings is fine for students taking financia accounting, financial reporting and corporate reporting courses at the 100, 200, 300, 400 levels and even at the postgraduate level, in the University and their counterparts taking professiona examinations.

We would like to extend our thanks to The Institute of Chartered Accountants of Nigeri (ICAN), The International Federation of Accountants (IFAC), and The International Accountin Standards Board (IASB), for creating the enabling environment and some of the inputs to th Book of Readings in Accounting. We hope that you, dear readers, find this work to be timely informative and educational, and refer to it often throughout your academic endeavour.

F.K. EMENI
April, 2019

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PART 1

FINANCIAL ACCOUNTING

CHAPTER 1 HISTORY OF ACCOUNTING IN NIGERIA

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Learning objectives

[redacted] this chapter, you should be able to:
1. 1. Trace the origin of accounting before the advent of the concept of money.
2. Explain the history of accounting in other parts of the world besides Nigeria.
3. State the development of accounting in Nigeria as an art.
4. Explain the development of accounting as a profession in Nigeria.

Introduction

The origin of accounting cannot be traced with any form of definitiveness because the concept of accounting in its real sense would probably predate as old as the origin of man himself. Accounting arose out of the need for man to keep records of his inventories and transactions in order to be able to account for money owed to third parties, and those owed by third parties. The development of accounting in Nigeria in particular is often traced to the 1960's when professional accounting bodies in Nigeria began to spring up. This however was not the starting point of the practice of accounting in Nigeria as economic events and the attendant keeping of records had long existed in Nigeria before the advent of the professional accounting bodies, hence tracing the origin of accounting in Nigeria to the period of the professional accounting bodies would simply amount to being an anomaly.

The history of accounting dates back to periods before the advent of the concept of money. The evidence of accounting's existence before the advent of the concept of money was supported by archaeologists and historians who discovered the oldest city of Jericho. It was evidenced, as seen in the work of Mattessich (1989), that there was no complete accounting in that city, but artefacts revealed remains of a temple priest taking inventory of the village livestock using tokens to keep track of the herd size and count the grain harvest. Through fossils and records discovered, not only in Jericho but other parts of the world, it can be assumed that even before men knew the concept of money, the process of stewardship was known (Jayeoba & Ajibade, 2016).

Accounting therefore, can be said to be as old as civilization itself. In fact, history suggests that accounting brought about the concept of writing (Abdulrahaman, 2012). To that effect, Salisu (2011) opined that writing developed over 5,000 years ago and archaeological findings revealed that writing was in fact developed by accountants. He further opined that the evolution of commerce was driven by the development of the science of accounting, because modern business was able to grow, flourish and respond to the needs of relevant stakeholders and the public only through the use of more precise accounting methods.

The events that heralded the observed development of accounting on a global scale can be traced to two prominent occurrences. The first was the publication of the book titled "Summa de arithmetica, geometria, proportioni et proportionalita" (the collected knowledge of arithmetic, geometry, proportion and proportionality) by Luca Pacioli in 1494. The book contained a section that was titled "Particularis de computis et scripturis" (a treatise on accounting). It was in this book that Luca Pacioli first described double-entry accounting, also known as the Venetian method. However, scholars overtime have argued that Luca Pacioli did not invent the double-entry principle, but simply described a method that was already in existence and used by Italian merchants over several decades.

The second event was the industrial revolution that occurred in the 19th century. This was heralded by the emergence of complex hierarchical organisations such as the textile mills in the first half of the 19th century, the railroads in the middle of the 19th century, and the steel companies in the second half of the 19th century. The advent of the industrial revolution brought about the need for accounting practices that would be able to cater for the ever changing needs of these organisations. This period was perceived to be the starting point of the phenomenon called management accounting, along with the separation of management from ownership.

In Nigeria, Salisu (2011) traced the history of accounting to an era before trade by barter, where kings took stock of their lands for territorial claims. The various village heads also imposed levies in form of taxes and market dues on market women and other villagers who often used the village squares and market places in disposing their agricultural produce. These levies were normally collected by either the palace guards or special youth groups constituted by the village heads. Defaulters, in most cases, are made to pay with their domestic animals, household gadgets or pets and seed crops; as deterrent to other would-be defaulters. In all these, the collectors were bound to give accounts of the revenues they collected. The villagers on their part also kept account of their economic activities. As such, it is quite understandable why there is need to explore the ancient pattern of accounting practices, as people throughout history kept and maintained records of their daily economic activities. Examining the trend of how these accounts were kept and maintained in different communities from ancient times is the crux of this text. It is believed that a documentation of this form will contribute to the growing literature of the history of accounting practice in Nigeria.

History of Accounting in other Jurisdictions

The concept of the history and development of accounting has received considerable attention from a plethora of researchers. This can be adjudged to be a result of the evidences and facts stumbled upon by archaeologists in the form of remains, tablets, tokens and artefacts discovered and their alignment with the practice of accounting. Archaeologists have generally opined that the concept and practice of accounting is as old as civilisation itself (Hopwood, 1987). Civilisation began with the practice of agriculture and the establishment of territorial delineations. Mattessich (1989) stated that the oldest city ever discovered; Jericho, started as a trade centre for salt and later extended its market to include herds and grains. Although accounting in its complete form was not evidenced there, nevertheless, archaeological artefacts extracted indicate the use of token by the temple priests to keep track of the stock of grain harvest and take inventory of the size of the herds.

The city of CatalHuyuk in Turkey was also an ancient trade centre. Inhabitants of the city utilised a mixture of the available material and limited trade goods to produce diverse products which multiplied and got better with time. With the advent of products like textile, pottery and diverse agricultural produce, people discovered the concept of wealth (Flesher & Samson, 1990). Wealth was equated with the degree of money and monetary items possessed and the ability to exchange goods. Various trade goods and precious ornaments also became equivalents of money, but the coinage of gold, silver and similar precious stones standardised the concept of money and enhanced the growth of trade along with the development of accounting. These events point to the fact that accounting predates the idea of money and monetary items.

Primitive trade routes unearthed by archaeologists in 9,500BC provide evidence that the exchange of merchandise on a global scale predates the advent of civilisation. Tokens discovered around 8,000BC in early fortified cities reveal the emergence of accountants from accounting scribes during the period, and these scribes were responsible for inventing the abstract of writing and numbers (Mattessich, 1989). These simple tokens evolved into complex tokens used in Sumeria around 3,700BC. These sophisticated set of tokens were covered with notches, lines and other markings and heralded a more concise system of accounting (Hopwood, 1987). These markings were attributed to be abstract representations of the development of numbers as well as objects of wealth. Tokens could be impressed on clay tablets and a single tablet could have markings of several tokens. These tablets sometimes represented abridged documentation of inventories or transaction and the several markings could represent additional explanatory information (such as the notes to accounts in contemporary financial accounting). The emergence of specialised signs eliminated the need for tokens; as diverse information could be recorded directly on the tablets with the aid of those signs. The use of these signs led to the development of writing and the subsequent use of the papyrus plant in certain civilisations such as in Egypt. The earliest forms of text were photographic writings on tablets embedded with a stylus. The standardised script was called cuneiform (lotion for wedge) because of its shape, invented between 3500-3100BC (Goldberg, 1974).

The late "Stone Age" became prevalent around 3300BC. This period was characterised by the use of copper tools in the construction of the palaces and great temples (Bisaschi, 2003). Crafts were expanding and merchants traded wares on an ever-increasing basis to foreign lands. The archaeologists uncovered a Sumerian scribe dated around 3000BC and concluded that this may be the first accountant (Bisman, 2009). Among the scribes functions were the scribbling of figures on wet clay tablets, and these were mostly records to document the extent of wealth and possessions by taking stock of the tributes of grain, livestock and gold, food stocks entering and leaving stores, and gold delivered to the artisans for the crafting of jewellery. Apart from recording the transaction, it was also the scribe's responsibility to ensure compliance with the codes and requirements of commercial transactions as stipulated by the specific agreement. Private individuals, firms, palaces and temples employed lots of scribes to execute such duties; and being a scribe was generally considered a prestigious and honourable profession.

During this era, interested parties to economic transactions would seek out scribes at the city gates to help record and document their transactions. The scribes would then utilise clay to record the transaction and draw up the agreement to the satisfaction of both parties. The clays were moulded to specific sizes that were suitable to contain the terms of the agreement. The scribes used wooden rods to imprint the details of the transaction on the clay. These details include the name and relevant information of the contracting parties, the description of goods or money to be exchanged and the agreements reached based on the contract. These clay tablets were then signed by the respective parties to the transaction by imprinting their seal on the clay. These seals were usually in the form of amulets which people in that era wore on their neck and carried around. The seal contained the names of the bearer along with specific depictions such as the name or symbol of the gods worshipped by the owner. The scribes then proceeded to dry the tablets in the sun, or in a kiln for more important transactions that required permanent records. Sometimes the clay was wrapped around with an outer shell for security reasons and the transaction was duplicated on the outer shell, thereby making a copy of the original. Any attempts at alteration on the tablet could be discovered by comparing it with the original impression, and alteration to the original was not possible without cracking or destroying the outer shell.

Thousands of years before the evolution of the double entry principle, the Assyrian, Babylonian, Chaldean, Egyptian and Sumerian civilisations flourished in the Mesopotamian valley, producing some of the oldest know records of commerce (Funnell, 1996). During this era which lasted until 500BC, Sumeria was a theocracy whose rulers held most land animals in trust for their gods, giving impetus to their record-keeping efforts. Egyptian book-keepers kept meticulous records which were checked by an elaborate internal verification system (Previts& Bricker, 1994). Irregularities disclosed by royal audits could lead to the death penalty, hence, these early accountants had good reason to be honest and accurate.This might have played a role in hampering the development of accounting in ancient Egypt, as their accounting methodology never progressed beyond simple list-making despite the many years of its civilization

(Lemarchand, 1999). Illiteracy and the lack of coined money alsoappears to be major factors that stymied the development of accounting in Egypt(Previts& Bricker, 1994).
At about 1200AD, Italian merchants used double entry accounting information to extend trade tomany parts of the world. Evidence suggest that double entry bookkeeping was developed in the Genoa-Venice-Florence area in the 1200-1350 period. This evidence includes the accounting records of Kinierie, Fini and brother (from 1296-1305) and Farolfi and company (1299-1300) which indicated the application of double entry accounting (Lemarchand, 1999). Luca Pacioli in 1494 wrote his book titled "Summa de arithmetica, geometria, proportioni et proportionalita". The publication represents the first known printed treatise on bookkeeping; and it is widely believed to be the forerunner of modern bookkeeping practice. The book was actually a book on mathematics meant to redress the poor state of teaching at the time. However, the book contained a section that was titled "Particularis de computis et scripturis" (a treatise on accounting), which was separately published in 1504 and translated into several languages. The aim of the treatise was to communicate the methodology of an equal and opposite reaction for every transaction (Mike & Fred, 1983).

Arguments however posited that the double entry principle was not developed by Luca Pacioli, but only popularised by him. The Particularis de Computiset Scripturis was seen to provide detailed description of the Venetian method of bookkeeping that was already being practiced by the merchants of Venice for decades. It is widely accepted that it was in fact a Croatian known as Benedetto Cotrugli (also known as Benedikt Kotruljevic) who is the principal proponent behind the origination of double entry bookkeeping. Though Pacioli did not invent the system, but his widely renowned publication brought the method of accounting to light. In his opinion, the purpose of bookkeeping was to provide the trader with timely information concerning his assets and liabilities. He postulated that all accounting entries must be double hence, when a creditor is created, someone must be made a debtor. He suggested that not only should the name of the buyer or seller be recorded, along with the description of the goods with its weight, size, measurement and price, but also, the terms of the payment should be shown with the cash that was received or disbursesd; along with the converted value (Sangster, Stoner & McCarthy, 2008). Despite the short duration of business ventures at that time, Pacioli advocated for the closure of books and the periodic computation of profits (Ovunda, 2015). Overall, these contributions of Luca Pacioli to the development of accounting made him to be widely regarded as the "father of accounting".

Development of the art of Accounting in Nigeria

Just like the global development of accounting, the history of accounting in Nigeria cannot specifically be traced to a particular time period. Suggested time periods would merely be based on documented evidence that must have been found to exist at those time frame, nevertheless, the actual inception of accounting in Nigeria would ordinarily predate any of the documented evidence that might have been discovered. According to Obara (2004), there were three basic phenomena that motivated the need for book-keeping in ancient times in Nigeria. First, there was the need to keep records of debtors and creditors with the aim of knowing with certainty the extent of debts owed to the bookkeeper, or owed by the bookkeeper. Second was the need to know the extent of affluence in order to be able to take physiological and economic decisions; such as the extent of reasonable consumption and the probability of taking more wives (which in those days was one of the means through which men could flaunt their wealth). Third was the need to evaluate their performance in the economic activities they were engaged in which consisted predominantly of farming, fishing and hunting (Obara, 2004).

Accounting in Nigeria was perceived to have stemmed out of the need to keep records of transaction. Nwanyanwu (2006) asserted that people in ancient times in Nigeria used wall strokes for keeping records of debtors and creditors and for general inventory taking. These wall strokes maintained different patterns that helped the bookkeeper to differentiate between the records of debtors and those of creditors. The strokes were embedded on the walls of the bedroom in order to maintain a level of privacy, while at the same time being visible enough for easy access by the bookkeeper. With time, the use of wall strokes was replaced by counter containers. These containers were usually in the form of calabashes, or bags made of raffia and dried animal skin. Stones, pebbles, grains and palm kernel fronds were utilised as counters and kept in the containers. Nwanyanwu (2006) opined that the palm kernel fronds were predominantly used as counters in the Southern part of Nigeria, while grains were predominantly used as counters in the North. Separate bags were kept for different class of transactions and each bag was labelled with charcoal or white clay to differentiate them. The counter containers fizzled out with the advent of the use of cowries as a denomination for exchange.

Obara (2004) attributed the development of accounting in Nigeria to two factors. These were the influence of the Islamic civilisation and the European civilisation. The influence of the Islamic civilisation was predominantly felt in the Northern part of the country while the influence of European civilisation occurred through contact with European traders, missionaries and the influx of the colonial administration.

From centuries ago, when the different ethnic regions of Nigeria evolved in the form of autonomous kingdoms, trade and commerce had taken different forms. It should be noted that bookkeeping and capitalism go hand and hand. This is the view of Sombart (1967) who argue that capitalism and accounting have experienced symbiotic growth over the years. As a result of trade and commerce which is the brainchild of capitalism, the need to record and account became necessary in those days leading to barter system, the use of wall stroke, tally, manilas etc. This text is therefore devoted to highlight the historical perspective of several communities in Nigeria by briefly looking at how they evolved the progression in trade and commerce and the nature of accounting and bookkeeping kept. It takes an in-depth examination of the process in which the modern day form of bookkeeping came to be domiciled in the Nigerian environment. The Nigerian environment, covered in this study, which to a large extent could be said to be representative of other environments in Nigeria include Delta State, Edo State, Kogi State, Ondo State, and Akwa-Ibom State.

Delta-State

The history of record keeping in the Delta as outlined here focuses on three specific era: the period before trade by barter, the barter system and the introduction of cowries as a medium of exchange which gave birth to the present day money system.

The period before the barter system is not dated. During this period, record keeping was done using wall strokes, rubber tree strokes, calabash and even bags wherein stones were kept as a means of recording. The system of wall strokes is a system where strokes were marked on walls in different places signifying different people, and the numbers of strokes on the wall signified what each person owed. When the marks were in the form of a crossed stroke, it meant the debt had been paid. This was at the same time practiced with the system of keeping records with the calabash, where stones were dropped in the calabash. The number of stones in the calabash represented what the debtor owed. The calabash system of record keeping was similar to that of the bag system of record keeping. The systems were mostly utilised for capturing the amounts owed and items yet to be returned.

The barter system was another method of record keeping that existed in a later period. This barter system was reported to be the most difficult means of trade. During this era, the wall strokes and calabash system of record keeping were still in place. The era however did not last for long because of its system of exchange. Subsequent to the barter era, there was the introduction of clay pots along with cowries which brought about changes in the system of record keeping. These cowries were used for exchange and were mostly kept in the clay pots and sometimes buried in the backyard for safe keeping. This period also witnessed the memory system of documenting information as pertains to who owed you, and who you owed. This system was possible because there was the existence of trust among the participants of the system.

Edo State

Trade by barter was basically the historical pattern of trade all over the place that is known as Nigeria today. However, Atanda (2007) reported that, in ancient Benin kingdom, trade with cowries and shells became widespread from 385 A.D - 400 A.D and displaced the trade by barter system which still existed side by side though with less intensity till the end of the 19^{th} century (Awolalu & Dopamu, 2005).

The locally produced artefacts (majorly bronze casted objects and beads) were exchanged for certain number of strings (such as 40 cowries, 50 cowries etc.) which they normally deployed in exchange for other human wants as they so desired. The cowries as a medium of exchange was thus more preferable than the trade by barter, because the locals were able to assign values to each item they had for sale and were also able to quantify the proceeds (in cowries), which they reportedly stored in calabashes for subsequent uses. At times, shells are used as medium of exchange in place of cowries.

As regards record keeping, due to the level of literacy, availability of chalks and charcoal, recording was done using tally system. Tallying is the act of making strokes on walls or trees where a stroke equals one, four strokes equal four and four strokes with a dash across equals five. It was a reliable means of recording transactions at the time; although some rely on retentive memory.

The assertion of Asechemie (1992, p. 27) as cited in Nwanyawu (2006) corroborated this fact where it was stated that:

The strokes are found in groups. The group may refer to the quantity of resources or their value involved in a particular economic transaction, or it may refer to the quantity or value of related transaction. The relationship may be that they refer to the same customer or occur within the same period of time. The concept of grouping in "wall stroking" is the native counterpart of the concept of an account in European accounting thought.

Apart from the tally system, recording was equally done using stones. These stones were kept in containers or bags. The amount of stones that was kept in the container or bag was an indication of the amount owed.

In Edo State, the people of Urhonigbe produce an abundance of food. In order to record the growth of their herds and crops, farmers of that era relied on primitive accounting methods. Natural seasons existed for herding and farming, hence, it was possible to determine through counting, the extent of surplus achieved during the weaning of young animals and the harvest of crops. The barns which were used for storage of yams gave rise to the counting system. After yam harvest, bars were constructed using bamboos and twin ropes which the yams were tied with. This was done in open premises within the farm yard to allow ventilations. This barn method of yam storage gave rise to the counting system where farmers took record of the number of yams tied to the barns. The aftermath of this barn system of yam storage was the auditing system in a crude form. At periodic intervals, these farmers conducted routine checks on the barns to ascertain the possibility of theft and also spoilage due to bad weather. These routine checks could be likened to checking activities in the development of auditing profession prior to the 1840 era. The primary purpose of these checks was for verifications and to raise alert should there be irregularities, thus it was a detective measure for the eventuality of fraud.

Kogi State

Before the issuance of currency by the West African Currency Board from 1912 to 1959 for use in Nigeria, different types of materials and items were used. Some of these items used in Nigeria were cowries and manilas. In Igala land for instance, the means of exchange actually started with the barter system. In the 16th century before a war broke out between the Benin kingdom and the Igala kingdom, barter system was used. The Igalas were selling palm kernel (uno) in return for coconut (unoba; meaning nut from Oba). A particular weight of palm kernel was exchanged for coconut. This system was used by all the traders from within and around the location.

Subsequently, objects like manilas, cowries, coral beads, ivory, ornaments and bangles; and were used for payments. This view was corroborated by the study of Ozuru, Chikwe and Uduma (2013) which stated that the early European traders; mostly the Portuguese and Spaniards conveniently bought goods with cowries and manilas from different parts of Nigeria. During this period the prevalent form of accounting documentations were counter containers and the tally system.

One important system that was overarching then was the wall stroke. It had to do with the writing transactions, mostly of credit on the black wall (which was already infected with smoke) with a white material. Each time payments were made, water was used to clean the amount paid leaving behind the unpaid.

Ondo State

Records of transactions were mostly kept in the memory, but as conflicts ensued over what has been given and what was being owed, there arose the need to keep documented forms of records. The earliest known form of record keeping in Ondo was marks made in sand. These marks were mostly made in secluded areas in the yard. This form of record keeping was however not very efficient as the marks eventually faded out due to climatic conditions such as rainfalls and monsoons.

The shortfalls in the sand-marking system led to the use of sticks for keeping records. These sticks were either kept in the yard or in the farm, but this only served little to reduce the conflicts as the sticks were sometimes scattered by animals that wandered to those paths. Subsequently, rather than merely gathering sticks to keep records of transactions, the sticks were burnt and the resulting charcoal or ash was used to create markings on the walls of the caves. The recordings on the house walls, usually made of mud, are kind of 'vertical stroke' clearly marked with charcoal or native chalks. This system of recording proved to be more effective and as residential abodes moved from caves to huts made of clay and palms, the wall marks system of recording continued to be in use. The wall strokes were often in different forms and patterns; some were used to keep tab of quantity of inventories such as household animals, debts owed, and balance of debts among others. In most cases, the descriptions of what each group of wall strokes represented were not stated on the mud walls. What each group represents were usually known to the bookkeeper in his mind, and in most cases, to the next of kin; probably as precautionary measures. The strokes that made up the groups may be periodically cancelled or stroked across, implying a certain group number of currency owed.

The influx of missionaries brought about the inception of Christianity and Western education, and in its wake some degree of literacy. These missionaries were of foreign nationality, and the first known missionary in Ikare was Isaac Lennon who was a Jamaican and was generally regarded to have been gigantic in stature. The increase in literacy led to the advent of the use of money for transactions and this brought about the use of cowries. This engendered the quantification and formalisation of bookkeeping in Ikare.

In some parts of Ondo state (Oka-Akoko) about 150 years ago, business and agricultural activities were recorded on permanent items like stones, rocks and big trees. The recording of accounting information progressed to the use of stones and white pebbles from the rivers as a means of recording transactions. These were usually arranged in a manner that could be used to represent large sums of money advanced to debtors or owed to creditors. The use of stones and pebbles later gave way to the tally system of recording. The tally system was mainly used for the documentation of agricultural products like yams in the barn. The tally system was also used for recording amounts of cowries and coins. These cowries and coins were kept in a large container and buried underground until a specific time when they were required. Meanwhile, these cowries were tied in a cloth and weighed in a manner akin to today's kilogram measurement. The measurements were then transferred to a book in form of a tick or tally. Each tick or tally represents a measure of the local kilogram.

Akwa Ibom State

Trading in pre-colonial times in MbiabamIdidep in IbionoIbom local government area, just like in other communities within the South Eastern region of Nigeria started with barter. It was stated that this medium of exchange was particularly associated with the Atlantic slave trade. A slave, for instance, was sold between eight to ten manilas around 1505 in Calabar, while an elephant tooth went for like one copper manila (Wikipedia). Major items of trading in Akwa Ibom at this period were cash crops and palm produce.

Records of debtors for transactions were made by inscriptions on clay walls of the buildings of the locals or on barks of trees. Aside these inscriptions, such transactions required witnesses from both the creditor/seller annex and the debtor/buyer annex. Also, stones or palm kernels were kept in local pots by the creditors to signify amount of money owed or value of goods obtained in debt. However, where debt was of a large amount, the debtor was required to give collateral, which was mostly a plot of land. However, in the event that the debt was not serviced at the expiration of the debt period, the collateral (land) automatically became the property of the creditor.

In the case of stock taking, such as stocks of inventory and livestock, the locals made distinctive paintings and marks on their goods and livestock. More so, they made inscriptions on clay walls and tree to depict the number of goods such as yam and livestock they had at each periodic stock take. These paintings and marks are akin to the coding of fixed assets that modern businesses do today. With regards to saving of money, large sum of monies were mainly saved in clay pots and buried by identifiable natural feature like trees and specific landmarks. Landed properties were demarcated by planting perennial trees at the boundaries of these lands or by continuous planting on such lands.

In the area of taxation, every working male adult was required to pay taxes. Local village tax committee consisting of heads of every major family delegated able bodied people to collect the taxes and remit same to them. The committee gave regular oral briefings on how these monies collected were utilised for the benefit of the village as a whole. The tax system was basically on a proportional tax system as every taxable male adult paid the same amount as tax. In the event of non-compliance, properties of defaulters were seized by the committee to serve as deterrent.

Development of accounting as a profession in Nigeria

This section covers the history of the accountancy profession in Nigeria from the pre-colonial, colonial, pre-independence, and post-independence days.

Pre-colonial days

Although very little is known about the forms and systems of accounts in the pre-colonial days in Nigeria, activities and influence of the British traders in West Africa were first noted in Sierra Leone, it is generally believed that modern accounting methods were introduced to both Ghana and Nigeria through Sierra Leone in the early nineteenth century.

Colonial days

Trained accountants were very conspicuous in the Lord Lugard's administration (i.e. the civil service) which consisted mainly of the Treasury, Audit, Railways, Marine Survey, Judiciary, Police and the Telegraph departments. It is therefore, generally believed that the first professional accountants were introduced into the country during the latter part of the nineteenth century. The three main bodies of qualified accountants in the United Kingdom through whom pioneer Nigerian (e.g. Mr Akintola Williams) obtained their qualifications were: (i) The Institute of Chartered Accountants in England and Wales, (ii) The Society of Incorporated Accountants, and (iii) The Association of Certified and Corporate Accountants.

Pre-independence days

During the colonial days and for most part of the pre-independence days in Nigeria, the civil service was the largest employer of skilled labour. Up to the year 1950, there was no Nigerian qualified accountant in the country. As more and more private companies and government-sponsored services corporations emerged between 1950 and 1960 in view of the economic development of the country gearing toward political independence, more and more firms of accountants in private practice appeared on the scene, such that by September 1960, there were no less than fifteen firms of practicing accountants in the country, most of them based in Lagos.

Until the late 1940s, it was unusual to hear of any Nigerian going abroad for further studies in accountancy profession. However, some Nigerians (Akintola Williams, Frank Cuthbert Oladipo Coker, Zacchaeus Oludayo Ososanya, Otunba Ephraim Adekunle Osindero) studied accountancy and eventually qualified as professional accountants. The pioneer firms of Chartered Accountants were (i) Cassleton Elliot & Co. which later became known as Peat Marwick, Ani, Ogunde & Co., (ii). Midgley, Snelling, Barnes & Co. which later became known as Deloitte Adetona Isichei & Co. and now Deloitte & Touche, (iii) Cooper Brothers & Co. which later became known as Coopers & Lybrand, Nigeria and now PricewaterhouseCoopers, and (iv) Pannel, Crewdson and Hardy which later became known as Pannel kerr Forster.

The first Nigerian woman to qualify as a Chartered Accountant is Chief (Mrs.) Olutoyin Olakunrin who qualified as a Chartered Accountant in 1962 under the Institute of Chartered Accountants of England and Wales. She became president of the Society of Women Accountants in Nigeria (SWAN) since inauguration in 1978.

Post–Independence Days

Nigeria qualified accountants have been nursing the idea of setting up an indigenous professional body prior to independence taking into cognizance the culture and legal system unique to Nigeria. This consciousness berthed The Association of Accountants in Nigeria early in 1960 and it was formally incorporated on 17th November 1960 as a private company limited by guarantee. On 16th May 1963, a formal decision was taken to explore the possibility of obtaining a government 'Charter' for the association. This meant the incorporation of the Association by an Act of the Federal Parliament of Nigeria; which now later berthed The Institute of Chartered Accountants of Nigeria (ICAN) through the No. 15, 1965 Act of Parliament. The Act No.15 of 1965 establishing ICAN, empowers the Institute to determine what standards of knowledge and skills are to be attained by persons seeking to become members of the accountancy profession in Nigeria. With the subsequent quest for more professional bodies in Nigeria, the Association of National Accountants of Nigeria (ANAN) was incorporated on 28 September 1983, and recognised as one of the professional bodies in Nigeria by Decree 76 of 1993. (Reference: Musliu Anibaba, 1990)

Review questions

1. Trace the origin of accounting before the advent of the concept of money.
2. Explain the history of accounting from the time of civilisation.
3. State the development of accounting in Nigeria as an art and as a profession.
4. There have been arguments that the double entry principle was not developed by Luca Pacioli, but only popularised by him. Discuss.

Colonial days

Trained accountants were very conspicuous in the Lord Lugard's administration (i.e. the civil service) which consisted mainly of the Treasury, Audit, Railways, Marine Survey, Judiciary, Police and the Telegraph departments. It is therefore, generally believed that the first professional accountants were introduced into the country during the latter part of the nineteenth century. The three main bodies of qualified accountants in the United Kingdom through whom pioneer Nigerian (e.g. Mr Akintola Williams) obtained their qualifications were: (i) The Institute of Chartered Accountants in England and Wales, (ii) The Society of Incorporated Accountants, and (iii) The Association of Certified and Corporate Accountants.

Pre-independence days

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