

# Recent Developments in Professional Practice of Accountancy in Nigeria: The Impacts and Challenges

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## Abstract

The significant services rendered by the professional accountants in Nigeria make them to be susceptible to changes in various economic policies. This research work therefore examined the recent development in professional practice of Accountancy and considered the impacts and challenges on all practising professional accountants in Nigeria. Emerging issues such as globalisation and adoption of International Financial Reporting Standards (IFRS), technological advancement and global code of conducts for accountants were considered. The challenges that such developments pose to the accountants were highlighted and critically examined. The paper used conceptual approach and content analyses to address the emerging issues. It is a literature based study; the research design is therefore an explanatory research design. The paper recommended inter alia that professional accountants must be proactive in approach and ready to face challenges in the financial world while professional bodies must re-engineer all the necessary professional Code of Conduct to meet international standards.

**Keywords:** Accountancy, Reporting Standards, Technological Advancement, Code of Conduct

## Introduction

In recent time, fundamental changes have occurred in the professional arena of accountancy practice. The changes are not only at local level but it has a global phenomenon. The global economic trend dictates the direction in which the practitioners should go, hence accountant of modern day should prepare for challenging world of practice. A study of the evolution of accounting suggests that accounting processes are reactive because they have developed primarily in response to business needs. Also, the development of accounting process has been related to economic progress and societal development of a country.

Since Picoli's days to this present day, accounting has recorded a lot of tremendous changes, growth and development all over the universe (Warren et al., 1996). For instance, during the first sixty years of the twentieth century, a major economic and societal force had thrown the accounting profession into new frontier and responsibilities. According to Abubakar (2011), the factors contributing to the development and growth of accountancy are the increase in the population of large corporate business in the affairs of business by way of taxation and business organisation. Also, factors such as technological advancement, government policy and regulations contribute immensely to the new development in the accountancy practice (Salmanufarisi, 2012). These factors, to a great extent, have deeply contributed to the development of accounting profession over the years.

To many accounting is an art, a method, a measurement methodology of communication system and, an information system designed to produce selected quantitative data in monetary terms about an entity engaged in economic activity (Ozoh, 2001). However, recent events and development in the accountancy practice coupled with the ever-changing environment in which the accountant operates have brought to light that, there is more to it than that. This is because there are lots of refinement and sophistication which the accountant has to contend with in the daily performance of his duties. It is an indisputable fact that change is the only constant variable in life. This statement is very true in relation to accounting profession. In recent times, one is seeing the focus of responsibilities of accountants shifting from recording the various aspects of a corporation's financial wealth to joining top executives in a broad based partnership (Akhidime, 2013).

This paper therefore looks at some emerging issues in professional practice of accountancy, its impacts and challenges to the practising accountants in Nigeria. In view of this, the objective is to examine current developments in the accountancy practice in Nigeria; highlight some of the impacts that such developments have on the practising accountants in Nigeria, and critically examine the challenges the emerging issues have brought to the accountants and the way forward.

## Emerging Issues in Accountancy Practice

Accounting profession is a profession of many parts because it provides indispensable services to the world and the societies at large (Salmanufarisi, 2012). The significant services rendered by the professional accountants make them vulnerable to whatever changes happening in the world of commerce (Salisu, 2010). By this, some of the issues facing accounting profession today include the following: globalization and International Financial Reporting Standards (IFRS) (Ezeani, 2012); technological advancement (Oduware, 2010); the need for a global code of ethics for plasticising members (Asobi, 2010) and the increasing need for sustainability reporting and

corporate governance ( Akhidime, 2013). These issues mentioned are not exhaustive but they are the most pressing issues in the country if not in the whole world.

### **Globalization and adoption of IFRS**

Globalization describes the result of advances in communication, transportation and information technologies, growing economy, political and linkages that connect individuals, communities, businesses and government around the world (Ezeani, 2012). Globalization also involves the growth of Multinational Corporation and transnational corporations (Akabueze, 2002 and Azobi, 2010). Olagbemi (2009) defines globalization as an evolution which is systematically restructuring interactive phrases among nation by breaking down barriers in the areas of culture, commerce, communication and several other field of endeavour. Also, Todaro and Smith (2009) describe it as the process of increasing integration of the economics of the world, leading to a global economy and increasingly, global economic policy making. In view of this globalisation, could be described as a set of economic processes that deal with trade in goods and services enhance cross border finance such as foreign direct investment and migration in search of employment.

As trade and investments are increasing across international borders, it is becoming more and more important for financial information to be reliable, transparent and internationally comparable. Thus, globalization impacts the international accounting profession mainly in terms of the global flow of capital which is creating much of pressure for harmonised accounting standards convergence. The increased openness of economies to international trade, financial flows and foreign direct investment has made the work of professional accountant more challenging if not cumbersome (Krueger, 2002). As a result of globalization, the clients of professional accountant have increased in number ranging from local clients to the international clients. This would definitely affect the pressure for reporting the economic transactions of the clients. Another impact of globalization is the way new power are emerging and changing the flow of capital e.g. India and China. These new economic powerhouses will have a significant impact on national economies in all parts of the world (Olamide, 2010).

Globalization by linking up national economic throws up tremendous opportunities and threats for professional accountants, it provides access to more competitive sourcing of inputs, improves the foreign businesses. Globalization is the result of several developments and processes that generally linked together. Akabueze (2002) itemises the basic impacts of globalization on every economy to include growth for the multinational enterprise; internationalization of financial market; development and diffusion of communication and transport technology; deregulation liberation and increased coordinating role of the international institution such as IMF and the World Bank on governance policies. However, if in actual fact globalization impacts the above mentioned points, what are the challenges that those impact brought to the professional accountants in Nigeria. Globalization according to Ezeani (2012) has made the business world get smaller. Investors now have access to the Securities and Exchange Commission of the countries outside their borders. To ensure comparability of financial statements across borders, the International Financial Reporting standards (IFRS) was introduced.

Accountants in the country now find it harder to remain insulated from what goes on outside of their countries borders, Akhidime (2013) opine that Nigeria as a country has opted in to join the countries of the world in the adoption of International Financial Reporting standards (IFRS). Thus before now, financial statements are prepared using the local Nigerian Generally Accepted Accounting Principles (NGAAP) viz Statement of Accounting Standards (SAS) issued by the Financial Reporting Council of Nigeria (FRCN) formerly called Nigeria Accounting Standard Board (NASB). For instance, on July 28, 2010, the Federal Government of Nigeria decided that Nigeria shall adopt International Financial Reporting standards effective January 1, 2012. The Financial Reporting Council of Nigeria Act No. 6 2011, which established the Financial Reporting Council (FRC), was enacted on June 3, 2011. This Act makes every company in Nigeria to convert to IFRS between the year 2012 and 2014, Ejike (2012). Clearly, there is a serious need to train and retrain professional accountants and other relevant stakeholders on the necessary knowledge and skills to be acquired for this conversion.

It is a fact that emerging markets need to develop, implement and train on accounting standards in order to be a part of international convergence which is necessary for a single global high quality set of financial reporting standards to meet the objective and needs of economic globalization (Fowokan, 2011). The emergence of common and global reporting standards has been a great challenge to some of professional accountants especially those that have been in private practice for donkey years. On the other hand, it is also a big challenge to accounting educators, who have to be trained in order to review the necessary aspects of their curriculum, update their teaching materials and impart this knowledge and skills to their students (Azobi, 2010).

The key implications of this situation for professional accountants in Nigeria according to Garuba and Donwa (2011) in Ezeani (2012) are:

- (i) Nigeria is still developing and needs all the contribution it can get from the accounting profession;
- (ii) accounting educators (especially professional bodies such as Institute of Chartered Accountants of

Nigeria (ICAN), Association of National accountants of Nigeria (ANAN)) are the ones who will prepare their students to be the workforce in the globalized world. They are however faced with the financial implications of acquiring necessary knowledge and skills.

(iii) Information and communication technology will play a huge role in getting around this challenge.

Another challenge that worth mentioning here is the facility for the training, Nigeria as one of the developing countries lacks some of the basic facilities that can facilitate effective training. For instance, professional accountants that could not avoid travelling to advanced countries to advance their knowledge would ordinarily go for on-line training, but erratic supply of the facility can serve as a great barrier. Therefore, inadequate provision of basic needs of professional training facility may hinder effective performance of professional accountants in Nigeria.

More importantly, the sudden change or switch from local Generally Accepted Accounting Principles (GAAP) to internationally approved standards would create unnecessary scarcity of professional accountants because those that could not meet up with training and retraining would definitely not participate in the global market. Presently, population distribution of accountants in the country is very low compared to other countries in world.

Emenvonu (2007) put the ratio of accountants per thousand population in Nigeria to 1 to 3.017 which is far below those obtained in developed countries like UK (1:477), Australia (1:181); 1:477; and Canada 1:911 as shown on Table 1 below. The ratios of per thousand populations when compared to other developed countries obviously have much to be desire.

**Table 1: Comparative Population Distribution of Accountants**

Country	Accounting Organization	Members	Population in Million	Ratio of Accountants per thousand population
Nigeria	Institute of Chartered Accountants of Nigeria	32,722	150	1:3,017
	Association of National accountants of Nigeria (ANAN)	16,999		
	<b>Total</b>	<b>49,721</b>		
United Kingdom	Institute of Chartered Accountants of England And Wales	128,000	61	1:477
Australia	Institute of Chartered Accountants in Australia	42,500	20.4	1:181
	Australian Society of Certified Practicing Accountants	70,000		
	<b>Total</b>	<b>112,500</b>		
Canada	Canadian Institute of Chartered Accountants	70,000	33.4	1:477
USA	American Institute of Certified Accountants	330,500	301.2	1:911

**Source:** Emenvonu (2007)

It is no doubt that the current number of professional accountants is significantly insufficient Compared to the looming population in the world of business. The adoption of IFRS entails serious training hence if adequate facilities are not put in place in the country, there would be scarcity of qualified professional accountants to take the lead (Akhidime and Eriabie, 2013).

### Technological advancement

According to Regina (2012) modern accounting system has shifted emphasis from traditional score-keeping tasks for external and stewardship reporting to the demands and needs of management and investors for more relevant information control and decision making. In view of the landmark technological advancement of the present age, (that is) convergence of Information and Communication Technology (ICT), no professional accountant without the requisite knowledge of ICT would compete efficiently in the current market trend. Technology advancement could be simply put as the convergence of the computer chip technology, office automation, digital printing technology, telephoning, radii and satellite broadcasting. The advancement of information technology, according Uche (2007) has greatly strained the capacity of the traditional accounting

procedures to cope with the present day realities to enhance reliability and relevance in financial reporting. However, many professional accountants in Nigeria are still finding it difficult to cope with the development and this constitutes a major disturbance in reliable financial reporting in this era of globalization (Regina, 2012). The impact of technology affects accountants in all sectors of the profession and in all parts of the globe.

The availability of information and the speed, at which it is processed, create both challenges and opportunities for the accounting profession across boundaries, borders and time zones Oyedepo (2013). Therefore, adequate working knowledge of the new development in ICT becomes a basic requirement for the accountant to remain relevant. With adequate possession of this knowledge, the preparation of reliable financial reports become attainable and a lot easier as many packages have been developed to help the accountants produce relevant and honest accounting reports on which informed decisions can be taken by the users of the financial reports.

As a matter of emphasis, all accountants whether in public or private practice, should embrace the idea of information technology. The new technologies do not only pose threat and challenge for the professional accountants, they also open up new opportunities to improve the practice of the profession. Umeh (2000), with respect to the ICT revolution and its challenges to the accountancy profession highlights the following points that professional accountants should:

- i) Appreciate Information and Communication Technology as an unavoidable tool rather than a mystery.
- ii) See the apparent threat of globalization and 21<sup>st</sup> century opportunities which only the informed can convert to advantage.
- iii) Participate in the design and implementation of Management Information System (MIS) in ICT environment and monitor compliance.
- iv) Seek and manage information economic by developing appreciable response strategy and,
- v) Act now to learn ICT skills, otherwise will find himself being irrelevant in this information age.

The lesson from above information is that every practising professional accountant must continue to update his knowledge so as to be more relevant in the dynamic business environment. However, technology advancement has brought about the following benefits to the professional accountants:

- i) The amount of time and effort required and client needs for data collection and validation has been substantially reduced.
- ii) Data analysis tools and software has greatly increased the opportunities to provide clients with analysis, performance management and decision support services.
- iii) Technology creates the possibilities of new learning horizon designed to link professional accountants to the global network of information and ideas.
- iv) It increase system integration, training, installation, support and reselling opportunities is equally increased.

### **Global code of ethics for practising accountants**

The role of accountants is now changing from that of maintaining proper accounting processes to that of making proper financial decisions (Regina, 2012). Lack of professional skills and ethics in the discharge of accounting functions in numerous corporate organisations, have contributed largely to most of the recent global financial crises (Oyedepo, 2012). For instance, Regina (2012) indicated failure in accounting practice to corporate failure such as those of the energy giant Enron in 2002, WorldCom in 2002, Global Crossing in 2002, Texaco in 1987, Adelphia in 2002, United Airlines in 2002 and Kmart in 2002.

The collapsed of the companies mentioned above have been attributed to failure of strict obedience to accounting code of ethics or inadequate provision for global standards to be followed by reporting accountants. In view of this, serious attention has been shifted to provision of adequate global code of ethics among the practising professional accountants that would be effectively and efficiently monitored. Generally, for the purpose of transparency every profession such Accountancy, is bound to have nationally accepted code of ethics (as IFAC rightly did for its members, recently). The increasing dynamics of the business environment in which professional accountants operate has made it necessary for the institution regulating the profession in Nigeria, (especially ICAN) to review the contents of its Professional Code of Conduct currently in existence.

International code of ethics has become global phenomenon due to the common practices procedures adopted by all the practising accountants in the world today (i.e. Adoption of IFRS). It is on this background that the Institute of Chartered Accountants of Nigeria quickly reviewed its professional Code of Conduct in 2009. The review drew extensively from the guidelines of the International Federation of Accountants (IFAC). Although the guidelines are substantially adopted to meet the peculiarities of our local environment without compromising ethical standards, the international interests are also considered significantly. As opportunity to practice accountancy is now being extended across the globe, the need for accountants to expose to internationally unified Code of Conducts cannot be over emphasised. Therefore, all professional accountants especially those in active practice should observe the rules hook, line and sinker. The IFAC has provided

adequate rules and framework that would enable accountants to do their job without threat of any kind.

However, exposure is a fundamental problem confronting most of our accountants in practice in Nigeria. The cost of attending international conferences that would rather earn them international exposure is on the high side considering the income generated from the services provided. Where there is no international exposure, the opportunity of cross-border practice is automatically denied. It is now imperative, therefore, for the accountancy bodies in Nigeria including the Government to provide financial aids to their timid professionals to attend regular international training and conferences. This will enhance cognitive knowledge of accountants at international level. In Nigeria, the Institute of Accountants of Nigeria (ICAN) and the Association of national Accountants of Nigeria (ANAN) have code of ethics for their respective professional members. The rationale behind this is to ensure regulatory conduct of their members. These codes protect the fundamental qualities of the profession, particularly relating to independence of auditors. In the world today, there is an increasing push for a global code of ethics to protect the profession. Among the reasons adduced to the need to have global code of ethics include the following:

- i) It will protect the fundamental qualities of the accounting profession especially in the area of independence.
- ii) The professional conduct of every member would be effectively monitored to enhance the quality of services provided by the professionals.
- iii) There would be total eradication of cross-border barrier.

### **The Ways Forward**

The environment in which accountants operate is ever dynamic hence, the need for all practising accountant to be up and doing. Macdonald and Rutherford (1989) in Oni, *et.,al* (2002) opined that if accountants are to continue to play a significant role in the economy, they must be able to contribute to the achievement of dynamic efficiency ( i.e. the facility to adopt and react to changes) as well as to static efficiency (i.e. the ability to handle resources presently available). It is on this premise therefore, that professional accountants must ensure that they acquire necessary technical knowledge, analytical skills, conceptual understanding, intellectual ability and sound communication skills. The professional accountants must be proactive in approach and always ready to face challenges in the financial world. Also, on the part of the government, there must be provision of enabling environment to practising accountants. The project of training and re-training must be on-going and they must be handled by competent hands both locally and internationally. The adoption of IFRS is fast growing among committee of nations, hence local accountants must keep the pace otherwise the benefits attached may elude them. In view of this, the professional bodies of accountancy in Nigeria (such as ICAN, ANAN, etc) must re-engineer all the necessary professional code of conduct to meet international standards. This would allow accountants to excel in the midst of all the conflicting interests by applying sound practice, innovative action, creative thinking and commitment to the highest ideals of integrity and moral probity.

The professional bodies must also ensure that corrupt-free society is established where the honesty and transparency of professional accountants would not be in doubt. The international communities must not only believe in the reporting standards but have absolute confidence in the reporting system. Besides, our corporate governance must be strengthened and enhanced so as to rebuild international confidence in Nigeria system. Also, a condition of complete and free flow information must be created in order to assist in information sharing. Information sharing allows comprehensive and exchange of ideas among accountants (Onukagha, 1993). Efficient ICT training must be provided because no meaningful professional practice could be undertaken without complement of ICT. Therefore, accountancy bodies in Nigeria must ensure that they provide necessary training in this regard for their members. To achieve this, professional bodies must subsidise cost of training and re-training for its members by making it affordable to all and sundry.

### **Conclusion**

The paper has been able to identify the challenges of the accounting professionals in Nigeria especially with the advent of globalisation. The adoption of International Financial Reporting Standards (IFRS), technological advancement and global code of conducts for accountants has become the imperatives if the professionals will meet up with the global demands.

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