

| CHAPTER NINE |

RELEVANCE OF ACCOUNTING PRACTICE IN ADMINISTRATIVE LEADERSHIP: LESSONS FROM E. O. NWADIALOR

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INTRODUCTION

Accounting is as old as man on earth and it originates out of the desire of man to keep records of his inventories and transactions in order to be able to account for money owed to third parties as well as those owed by third parties. The development and growth of accounting in Nigeria can be traced to the 1960's with the emergence of professional accounting bodies in Nigeria. This is not to say that the starting point of practice of accounting in Nigeria was in the 1960's precisely, because the practice of accounting emanated from economic events and the attendant keeping of records which had long existed in Nigeria before the emergence of professional accounting bodies in Nigeria. However, one can trace the origin of accounting in Nigeria to the period of the professional accounting bodies to indicate the contributions of the professional accounting bodies toward the growth of accounting in the country.

The history of accounting dates back to periods of the advent of the concept of money. This was supported by the views and opinions of archaeologist and historians during their discovery of the old Biblical city of Jericho. It was evidenced from the work of Mattessich (189), 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 sequel to the discoveries, accounting can be said to be as old as civilization itself.

Accounting has been noted to have brought about the concept of writing (Abdulrahman, 2012). Salisu(2011) opined that writing developed over 5000 years ago. Even the findings of Archeologists revealed that writing was developed by accountants, Salisu further opined that the evolution of commerce was driven by the development of the science of accounting consequently he noted that modern business was able to grow, flourish and respond to the needs of relevant stake holders and the public only through the use of more precise accounting methods.

DEFINITION AND OBJECTIVES OF ACCOUNTING

Accounting can be defined as the process of identifying, measuring and communicating economic information to permit informed judgements and decisions by users of the accounting information. Accounting involves the process of collecting, recording, summarizing, measuring, analyzing, interpreting and communication financial data of an organization to enable users to make assessments and make useful decisions. In order to achieve the processes mentioned, accountants prepare, accounting ratios and accounting information which are communicated to management and other interested parties or users who could be internal or external to the organization. The scope of accounting includes the collection and preparation of data, processing the data, evaluating the data and reporting the data. Accounting covers wide areas of activities and extends to trade, government, financial institutions, business, individuals, families and every other sector that deals with the receipt and transfer of economic resources.

The Objectives of accounting in any Business Organization include: -

- (a) Recording of business transactions: - Accountants in companies, sole proprietorships and nonprofit making organizations, maintain records of all financial transactions. This objective of accounting is essential so as

to retain those records. Thereby making referencing of previous transactions possible.

- (b) **Performance Measurement:** - The results of an organization's statement of income, statement of financial position and statement of cash flows are essential for determining how good an entity has done in any period of time. Sequel to the application of the above statements any entity that has effectively and efficiently applied its economic resources to enhance profitability in its financial period can be regarded as having performed well.
- (c) **Communication Accounting Information to Stakeholders:** - Stakeholders include shareholders, government, suppliers, employees and other stakeholders can be regarded as those who have beneficial interests in the progress of the business or those who are likely to be affected by risks or misfortunes that may befall the business. It is one of the objectives of accounting to communicate financial information to those interested users or stakeholders by collecting, preparing, interpreting and communicating financial information.
- (d) **Compliance with Laws and Regulations:** - It is necessary for all entities to obey the rules and regulations in both the industry and the country in which they operate. This is important for entities to avoid the disciplinary actions that they may incur sequel to contravening those rules and regulations. Some instances of these rules and regulations includes the mandatory filing of returns of companies financial statements with the Federal Inland Revenue Services (FIRS) not later than six months following a company's financial year end. Other regulatory laws are the companies and allied matters Act 1990, as amended partnership laws etc. the laws are made to ensure the business organizations keep their accounts in appropriate manner.
- (e) **Detection and Prevention of Fraud and Error:** - Appropriate trial and error are often carried out while

maintaining the financial accounts of any system so as to prevent or fully minimize the occurrence of errors. With this arrangement or objective future errors can also be corrected. Once they process of maintaining the financial accounts in properly followed, it will be difficult for even any member of the business entity to carryout fraud.

ACCOUNTING FAMILY (TYPES OF ACCOUNTING)

- (a) Financial Accounting:** - financial accounting first started as bookkeeping and later gave rise to some development, that eventually evolves as financial accounting.
- (b) Cost Accounting:** - the advent of the industrial revolution in the 19th century made stock valuation by firms relatively complex. This happened because industrial revolution shifted emphasis from buying and selling to manufacturing. It then become necessary to devise a formal, defensible process of valuing manufactured product; hence cost accounting emerged to rationalize the value attached to stocks of manufactured goods, so that the gross profit of a firm can be obtained.
- (c) Management Accounting:-**Industrial revolution, brought about pressures of competition on all aspects of management including planning, production, marketing etc. for instance, planning became an unavoidable activity among businesses as it requires use of both historical and futuristic cost data which financial accounting and cost accounting could not provide. Financial accounting and cost accounting could only provide historical costs and actual costs. This led to the emergence of management accounting to provide for futuristic costs required in production based enterprises consider the necessity of alternative courses of action in terms of future costs and benefits.
- (d) Financial Management:-** Financial management arose due to availability of large cache of invertible funds

brought about by high benefits in management accounting. Consequently, there arose the problems of what to invest and what not to invest on, as well as where and how to invest. These therefore caused the development of financial management as a subject to solve the problems.

Computer:- computer emerge as part of accounting due to increase in volume of business transaction and documentations, computer emerged in as an aid t solve the problems in the areas of communication, information processing, analysis, information retrieval, planning, reporting etc.

- (e) **Auditing:-** Auditing is another aspect of accounting which developed from the advent of industrial revolution. The aim of auditing is to rationalize the reliability of the operation of all other elements of accounting. Other aspects or types of accounting in the accounting family include:
- (f) **Tax Accounting:-** Tax accounting is an aspect of accounting that help individuals and businesses comply with rules set by the tax authorities. Tax accounting includes the preparation of tax planning and returns, the determination of income taxes, tax advisory services etc.
- (g) **Forensic Accounting:-** Forensic accounting consider court and litigation cases, fraud investigation, claims and dispute resolution and other areas of legal matters
- (h) **Public sector Accounting:-** Public sector accounting or government accounting is an aspects accounting which involves the process of recording and managing all aspects of financial transaction incurred by government including its revenues and expenses.
- (i) **Social Accounting:-** This is accounting concerned with the study and analysis of the accounting practice of those social activities of an organization.
- (j) **Human Resource Accounting:-** Human resource

accounting is accounting which is based on the understanding that human resource are also part of the organizations assets and as such should be disclosed on the financial statement

- (k) Environment Accounting:-**This is an aspect of accounting that identifies and measures resources used by organizations, evaluate the national economic impact of such activities on the environment and communicate the information to the stakeholders.

USERS OF ACCOUNTING INFORMATION

The users of accounting information include the following:

- (a) Management:-** Management of business are more interested in the accounting information because they are expected to account for the Performance of organization to the owners. They require accounting information to ascertain whether they have properly utilized the organization's resources that are placed on them on trust. They also require the information to enable them make their day to day decisions in the business and to also enhance profitability and improve the organization processes
- (b) Owners of the Business:-** They want to be able to see whether or not the business is profitable and they want to know what the financial resources of the business are.
- (c) Employees:-** The employees of businesses are often interested in profitability of the business so as to bargain for increase in salary. They gain this information through accounting information and so can use it to compare their remuneration with other comparable organizations in the same industry employees as well use accounting information ascertain if the organization can exist for a longer future period in order to guarantee themselves of their job security.

- (d) **Tax Inspectors:-** Tax inspector need accounting information to be able to calculate the tax payable by tax payers.
- (e) **Prospective Partners:-** If the owner of a business wants to share ownership with someone else, then they would be partner will want to an accounting information
- (f) **Investors:-** Investors in business need accounting information to forecast and compare the possible returns on their investments
- (g) **Suppliers:-** Suppliers wants to know how stable the company is in terms of financial stability so as to guarantee for the payment for their suppliers so investors need accounting information.
- (h) **Loan Providers:-** Loan providers such as banks and other financial institutions need to know about the liquidity position of the companies and individuals they give loan so as to guarantee the certainty of the repayment of such loans by the companies or individual. This information is best obtained from accounting information provided by those companies and individuals
- (i) **Competitors:-** Competitors also require accounting information as they want to assess the comparative performance of their organizations
- (j) **The public:-** The public has interest in accounting information when seeking information on employment and other economic considerations as well as issues relating to the environment.
- (k) **Financial Statements**
 - (l) Financial statement are very important in accounting, Although the preparation of financial statement is not the first step in the accounting system, it is yet a logical point to begin the study of accounting (Meigs and Meigs, Brettner and Whittington, 1998) This is because most of the accounting information we see and use reflect the terminology and concepts used in the

accounting statement.

- (m) Financial statement conveys to management and other stake holders a clear picture of the profitability and financial position of a business. There are three widely used financial statements (Meigs and Meigs, 1998).

(n) The Financial Statement are:-

- (o) i **The Balance Sheet (Statement of Financial Position):-** It shows the economic resources (properties, possession) of an organization, referred to as assets and the claims that creditors and owners have against the assets. Economic obligations of an organization amount owed to creditors are called liabilities and owners claims are called the owners' equity or capital
- (p) ii. **Income Statement:-** The income statement shows a presentation of the result of operations of a business for a period of time income statement is called the statement of profit or loss and indicates whether the business has made profit or loss for the period.
- (q) iii. **The Cash Flow Statement:-** the cash flow statement show the liquidity, viability and financial adaptability of a business. The cash flow statement indicates the important of the business to be able to generate enough cash so as to ensure its success since without a business will eventually collapse, even though it may at times be reporting profits in its statement of profit or loss.

THE RELEVANCE OF REGULATION IN ACCOUNTING PRACTICE

Financial accounting practice should be regulated for some reasons. The reasons include

- A. To avoid the introduction of wrong accounting methods into the accounting practice. This is necessary because without accounting regulations, some entities can forcefully introduce wrong methods of accounting into the

- accounting practice and many individuals and firms may ignorantly follow them.
- B. To adoption of regulation in accounting practice helps to ensure that users of financial statements obtain minimum information that helps them in making necessary economic and investment decisions concerning their interests in a reporting business, hence regulation guarantees that external users of financial reporting, receive reliable and relevant information related to their business;
 - C. Regulation of accounting practice: Ensure that firms adopt similar accounting treatment or handling for similar items as well as reporting similar transaction in the same manner over time. This facilities comparison among firms in terms of their performances.
 - D. Regulation of accounting practice ensures that the management of firms do not intentionally deceive users of the financial reports by adopting winch ever accounting treatment that would present their results and positions in the best possible way.

SOURCES OF ACCOUNTING REGULATIONS

The regulations of accounting practice are found in the following:-

- a. **Accounting standards:-** most regulatory frameworks are contained in the accounting standards. Accounting standards give reliable and authoritative guidelines on how specific items of events and transactions are to be treated in financial reports; for instance, international financial reporting standards (IFRS) and international public sector accounting standards are being sectors of the private sector and public sectors of the economy respectively.
- b. Capital market regulatory authorities
Sec, (Nigeria exchange group)
Rules:- this set out the information (including accounting information) which companies must provide before being

listen in the market.

- c. **Company Law:-** company laws define the guideline for determining the reports available for distribution, issue and redemption of capital as well as the reverse that a company must have and their possible uses. They are issues not covered by the accounting standards. The companies and allied matters act (CAMA) Cap C20, laws of federation of Nigeria (LFN20x4) states the legal provisions for the preparation, presentation as well as audit in Nigeria. There are also industry specific regulatory statutes such as ISA, BOFIA, CBN ACT, insurance ACT, money laundering act.

ROLES OF ACCOUNTING IN BUSINESS AND IN THE ECONOMY

Accounting plays the following roles in business and in the economy: bank reconciliation through accounting knowledge, accountants

- i. Reconcile statement of accounts from the bank (bank statement) with all ledger entries and thereby help to check the accuracy of posting in the cash book
- ii. Preparation of company financial statement:- accounting plays the role of enabling accountants prepare and present the financial statement (statement of financial position, statement of profit or loss, statement of cash flows) of a firm to the board of direction who then use the statement as a way to show their accountability to the shareholders (owners)
- iii. Pay roll competition:- accounting provides the necessary skills for preparing, maintaining of monthly payrolls.
- iv. Discovery and prevented of frauds:- Accounting with their skills of accounting plays a leading role of preventing frauds being initiated by swindlers, and embezzlers of public funds, thereby enabling the growth and development of the economy
- v. management of accounts receivable and accounts

- payable:- This is an important role of accounting as accountant apply their accounting knowledge and skills to monitor payments received on account. Receivables and payments made to settle payable.
- vi. Accounting skills and knowledge enable account to create, maintain and co-ordinate the implementation of the accounting system.
 - vii. Accounting serves as a cost saving means or method by enabling accountants to reduce costs and offer best advice on cost savings; this role is important for the growth and development of the economy.

EUGENE OKOYE NWADIALOR AND ADMINISTRATIVE LEADERSHIP

Accounting gives all the skills and tools needed for administrative leadership in organizations. This quality makes accounting stand as one of the most highly demanded professions, in every sphere of business. The importance of accounting lies mostly in its efficient resources management and profitability measurement which is in essential for the survival of any business organization.

This unique features of accounting profession have been demonstrated in the career performance of a renowned accountant, Professor Eugene OkoyeNwadiakor. Professor Eugene Nwadiakor studied Accountancy and holds the following qualifications: - BSC, MSC, PhD, FCCA, FCA, FCTI, all in accountancy.

Professor Nwadiakor has held many administrative and leadership positions in the following organizations.

- i. Norbet and Co, Chartered Accountant, United Kingdom.
This is a firm of Chartered Accountant's located in United Kingdom, where he worked as an Accountant and Auditor for many organizations.
- ii. **Ministry of finance, Nigeria:-** In this Federal Ministry, he started work as accounts clerk before rising to the high leadership position.

- iii. **Ada Rice Project:-** This is a world bank project, he served as the projects financial Analyst.
- iv. **Mineral waters company, Onitsha:-**This company is located at Onitsha, Anambra State, Nigeria. He served there as administrative and accounting staff.
- v. **Rector, Federal Polytechnic, Oko:-** The Federal Polytechnic is located in Anambra State, Nigeria. He served as head of Administration in the polytechnic for many years. He was the Rector in those years.
- vi. **External Examiner to Many Tertiary Institutions:-**He had served as external examiner to Enugu State University of Science and Technology (ESUT, Enugu) where he manifested his academic and administrative experiences in activities like moderating students' research works.
- vii. **Author of Accounting books for Tertiary Institutions:-** He was, for in instance a co-author of the book "Nigeria Company Taxation for Tertiary Institution. These books has assisted many students in their training and works as accountant.
- viii. **Vice Chancellor, Tansian University, Umuoya:-** Prof. Nwadiakor is the current Vice Chancellor of Tansian University Umuoya, Anambra State, Nigeria. He started his work as the vice chancellor, since 2018, the university community has witnessed many developments in the university since his tenor as the Vice Chancellor.

The developments include:-

- a. Setting more building structures to accommodate more students.
- b. Setting the university, postgraduate faculty for studies in postgraduate degrees of postgraduate diploma, masters and PhD degrees
- c. Proper allocation of resources:- This has helped in avoiding wastes of money. This is witnessed in some

fixed assets such as buses, being kept for proper uses and those not in use are either disposed or kept aside to avoid spending on them. Facilities and equipments needed in classes and offices are bought to meet up with the demands of regulatory bodies such as the National Universities Commission (NUC). This saves the university from losing accreditation or their license for non-provision of those facilities.

- d. Maintenance of suitable atmosphere for students learning and staff performance:- There is discipline among students and staff and staffs are paid their salaries regularly. A high level of job satisfaction exists among staff.
- e. Projection of the image of the University:- The Vice Chancellor has within his tenure, improved the image of Tanisan University. He has for instance set many sign posts in many corners around the state especially at Onitsha, Awkaetc to inform the public about the university. This is notable effort.

Professor Eugene OkoyeNwadiakor has through his administrative and exemplary leadership demonstrated the relevance of accounting practice in the administrative activities of organizations.

CONCLUSION

We can conclude that accounting is a versatile course that deals in almost every aspect of human endeavours. Accounting educates us on human resource management, leadership, legal aspects of our conducts especially in business and as it concerns proper conduct and organization of businesses. Hence, accountancy deals with the regulatory aspect in businesses, teaching us the rules and regulations and proper conducts in business organization. In financial matters, accounting helps us to maintain proper records in keeping with our stewardship responsibilities. Besides, accounting enables accountants to build up strong integrity and

faithfulness as well as sound moral standards. These are qualities already traced in Prof. Engene Okoye Nwadiakor as an intelligent accountant and a pragmatic administrator.

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