Accounting Information as a Management Tool to National Development Services in Nigeria

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Abstract: **Accounting information is an indispensable management tool to national development services in Nigeria. Accounting plays a major role in the sustenance of economic viability, political stability and social harmony in any given state or nation. The reason for this obvious fact regarding our national development is not farfetched considering the enormous multi-sectoral dimension of Nigerian economic activities both in the public and private sectors. Sound and accurate accounting information are ingredients to national government decisions to national development. The main thrust of this paper is to survey the significant role of accounting information system to national development services with the ultimate aim to ascertain whether economic transactions of the nation are properly recorded and kept as accounting reports to make such national decisions. The study is focused on the information gathered and collected from both primary and secondary sources. The sample of the study is made from selected national offices in Bayelsa capital city of Yenagoa. Data analysis for the study was done using frequency percentage and chi-square via SPSS-Statistical Package for social sciences. Findings of the study revealed that accounting information system has been playing an indispensable and key role in making decisions in such national issues. It is thus concluded that accounting information is of great paramount importance to national development services. The researcher therefore recommended that the national/federal government should continue to properly keep accounting books and implement accounting information/reports at regular intervals.**

Key words**: Accounting, Accounting Information, Accounting books, national accounting system**

I. INTRODUCTION

Accounting information is therefore, an indispensable tool for decision making in national development, not only that but both in personal and business affairs. In fact, the need for accounting information cannot be overemphasized. One of the coherent challenges in national development is lack of adequate keeping and implementing accurate accounting records. Many people think that accounting not as a management tool for the day-to-day use but as accumulation of data for eventual use in auditing and preparation of balance sheet (Walter, 2000). Warren and Fess (1986) posit that accounting plays an essential role in the economic and social system of a country.

Accounting as a course and as related to the management of not only businesses but it also centred on national income and expenditure accounting. Accounting to Akinduko (2001), accounting is an activity with an organization that deals with the classification, recording and reporting of financial transactions, in books of accounts, presentation and interpretation of the activities contained in the books of accounts and use of historic and forecast data in making projections for the appraisal of alternative course of actions facing the management. Then More and Steffler (1993) viewed accounting system as a means by which the management of an entry accomplishes the collecting, processing and reporting data of a business.

Alara (2017) declared that accounting plays a major role in the sustenance of economic viability, political stability and social harmony in any given state or nation. The reason for this obvious fact regarding our national development is not farfetched considering the enormous multi-sectoral dimension of Nigerian economic activities both in the public and private sectors. Accounting comes in as a tool that measures the profitability/viability a project with an economic system. In most of the developing countries, Accounting is not adequately developed to serve the contemporary function recognized in developed countries as providing useful information to users. Almost every segment of any society needs and uses financial information, directly and indirectly. Accounting provides the essential information for financial planning and control. With the fairly increase in commercial activities and industrialization of the Nigeria, attention should also be focused on the role of Accounting in the economic development. Even though, most individuals and governments, as well as international economic organization, recognize the need for capital and its efficient utilization for achieving rapid industrialization and little attention has been given to the potential contribution of accounting toward the fulfillment of economic development plan (Sione, 1996).

Accounting information plays an essential role in national development. Highly quality of corporate reporting is a key to improving transparency, facilitating the mobilization of domestic and international investment, creating a sound investment environment and promoting financial stability. At the same time, it helps to reduce corruption and mismanagement of resources and strengthens international competitiveness by attracting external financing and taking advantages of international market opportunities (United Nations Conference on Trade and Development UNCTAD, 2015).

Frankwood (2005) and Warren and Fess, 1986 etc) also posit that with the consensus on accounting as an information system used to communicate economic activity of the business enterprise to permit informed judgment and decisions by the users. Anthony (1994) defines accounting as a means of collecting, summarizing, analyzing and reporting in monetary terms information about the business.

As business organizations keep financial transactions, likewise the government of nations equally keep accounting records so as to get information to assist them making such national decisions. To be premise, nations keep such accounting information/records including national budget, national revenue account, national expenditure account, national financial year book. All these books of account kept by government to promote national development.

Identification of accounting models in accounting theory has become necessary since these models constitute the under printings of the preparation and presentation of financial statement. From Hornby (2001:755) and Owojori and Ola (2002:6) it is established that the models are the concepts in accounting theory. This paper seeks to elucidate the importance of these concepts (models) on the preparation and presentation of financial statements. The Nigerian Accounting Standard Board was formally inaugurated on September 9th 1982 and the explanatory notes to the statement of accounting standard I said financial statements are based on conventions derived from experience. These conventions originated from such concepts as: Entity, Going Concern, Periodicity, Realization, Matching, Consistency and Historical Cost. The purpose of this statement if not to evolve a basic theory but to identify some of these concepts which are generally accepted. This paper is concerned with vulnerability to inadequate preparation of financial statements which can threaten the long run survival of corporate organizations, if properly accounting models are not followed.

It also necessitated a critical shift in the elementary bookkeeping of debit what comes in and credit what goes out to the identification of concepts or conventions that are necessary for the adequate preparation and presentation of financial statements that shows the “true and fair view” of corporate organizations. Adequate insights into the accounting models (concepts) are required as additional tools to cope with challenges facing the preparation and presentations of accounting information today. Accountants in the fields and in the classrooms must handle the work with high level of intuition to enable the profession to achieve its objective of advancing the science of accountancy. Upon this, the paper attempts to identify some accounting models or concepts (conventions) that are pertinent to the preparation and presentation of financial statements.

II. REVIEW OF RELATED LITERATURES

Accounting information: A conceptual classification. In many literatures or texts, various terminologies are used to conceptualize the term “Accounting Information”. According to Gillespie (1998) as cited in Odaumiebi in 2020 that accounting information of many firms are not provided up to date particularly small and medium scale firms. He went further to say that accounting information are business information must be current in making decisions at the right time at the right purpose. Accounting system is important for the existence and achievement of the objectives of an organization.

Osisioma (1998) posits that financial information about a business enterprise can only be provided if tracks of the daily business activities are kept and summarized results in form of accounting reports are available. The accounting information system is a vital weapon in decision making. The basic need of the system is that it provides for the orderly assembly of accounting information to make for easy and ready availability of relevant information when needed.

Owojori (2001) sees accounting information as basically an information system that provides economic information for decision makers. It is a financial information system that provides the guide and direction for business growth and development. Hongren (1998) also posits that accounting information system is a formal means of gathering data to aid collective decision making in the light of overall goals of organization.

Laura Chapman (2018), accounting information is data about a business entity’s transactions. From buying inventory and machinery to entering into long-term building contracts, the events that occur in business operations almost always translate into accounting information. Accounting is a method of identifying and recording this data and using it to generate useful reports for a variety of users. These users are generally classified into two groups: internal users and external users. Because the needs of these users are so varied, accounting has two main perspectives. Managerial accounting is a forward-looking perspective geared toward internal users. Financial accounting relies on historical data and is standardized for external users. To understand these perspectives, you need to understand several underlying concepts that form the basis of accounting as the language of business.

The basic concept of accounting as we understand them today were first published in Italy in 1494 by Luca Pacioli (1445-1517). He described them in a section of his book on applied mathematics entitled “Summa de Arithmetica, geomatria, Proportioniet proportionalita”. Pacioli was a Fransisca Monk. Concept and conventions are used interchangeable. According to Owojori and Ola (2002:7) “Accounting conventions are variously referred to as accounting principles, accounting postulates, accounting concepts …….” They further analyzed the basic concept as:

Assets: These are valuable things that are owned by a business. That thing must be capable of being measured in terms of money. The asset of a business consists of cash in hand and cash at bank, land and building; plant and machinery; merchandise; and money owed by individuals or other entitles (who are called debtors) to the business.

Liabilities: These are debts owed by the business to outsiders or insiders, for examples, through purchase of merchandise and other items on credit rather than pay cash at the time of purchase. This gives rise to liabilities in the form of trade creditors. There are creditors for taxes due to government and government agencies, creditors for loan repayment and others. The business is liable to these creditors for the sum owed as liabilities to the business.

Capital: This is the excess of total assets over total liability by subtraction. It represents the owner's claim against the business. In order words, the assets of the business must always be equal to the liabilities and the owner capital.

Revenue: This is earned by a business when it provides goods and services to customers. A trading business that renders services, like EkeneDiliChukwu Transport Service, will derive revenue as a result of charging for the service. Because of accrual conventions, revenue can be recognized when goods or services are sold on credit.

Expenses: Before earning revenue, expenses are necessarily incurred. Expenses on rent, rate, lighting, salaries, traveling expenses and other general expenses are incurred and paid. Expenses are paid for in cash at the time they are incurred. However, they may not be paid for at the time they are incurred but are to be paid for at some future time, in which case the amount of such expense is recorded as a liability.

Income: This is the excess of a business for certain period of time. Income or Net profit increases the capital of sole traders.

Transactions: These are business events that are economic and financial in nature which are recognized to be entered as accounting records. A financial transaction must be capable of being expressed in monetary terms.

In their own contributions, Solom, Walther and Vargo (1992:11) defined Assets as the economic resources owned by a company that are expected to benefit future time periods. These resources are controlled by the entity and have arisen from past transaction and events. They equally defined liabilities to the economic obligation of an entity. Such obligations are owned to creditors and, like assets, are created from a variety of past transactions and events. Also, they said owners' equity represents the owners' stake or "interest" in the assets of the business.

Solomon et al (1992:10) came out with this model

Resources owned by the firm. (Assets)

=

Creditors claimed against the resources. (Liabilities)

Owners claims against the resources (owner's equity)

They however expand on this relationship which, in its shortened form is commonly referred to as the fundamental accounting equation. The shortened form is:

Assets = Liabilities + Owner's equity

Walker (1977:2) said one of the needs for accounting models is that any short-term instruction to non-accountants should be expressed in accounting concepts in terms normally used and understood by non-accountant. He further said in the accounting field it would appear logical therefore to endeavour to develop a model which portrays the flow of money in a business in terms of the flow of liquid in a suitably designed system. Rose (1935) in Walker (1977:3) draws a distinction between two main classes of capital in a business namely (a) Fixed capital, and (b) circulating capital. He points out that once the fixed capital is invested in the fixed assets of business it disappears from the business scene as money, and he illustrates the concept by imagining an arrangement in which the fixed capital is a statutory hub and round this hub the circulating capital revolves in an ever-changing pattern.

This concept is a useful one for non-accountant, particularly in illustrating the idea that money can be thought of as flowing through a business. Rose said it suffers, however, from the limitation that it only portrays a small part of the accounting story, and there is a severe restriction on the range of accounting processes which can be indicated.

According to Griswold (1957) in Walker (1977:4) the American Management Association international in their conference Hand book 10th -12th April, 1957 said in an article, cash flow through a business (where does the money go?). This article makes a useful contribution by comparing the movement of money to the flow of water into an out of central reservoir. There is also a chart which shows (money coming into reservoir from

(i) Purchase of capital stock
(ii) Long term lenders
(iii) Short term lenders, and
(iv) Sales of goods and services.

Money going out of the bottom of the reservoir to meet the cost of the company's operation namely: Cost of finished goods, new investment in fixed assets, and selling and administrative costs.

This analogy goes further than Rose's concept in explaining the movement of money in a business, but a large part of the accounting story is still omitted. Furthermore, the analogy in its existing form could not be built as a working model.

Cullitton (19600 contributed an article entitled "Diagram of Management Control". The editors print the following observation: "This schematic diagram illustrates the flow of assets and costs through a business. In one scene, it attempts to do the impossible, to link the dollar values that appear on both the operating statement and the balance sheet, and to show how they respond to decision making as parts of an interlocking system. But this is a very realistic picture of the way management must operate by exercising control not over static quantities but over fluid relationships. The chart is, of course, an over simplification, intended in fact to be a skeleton which can be fleshed put by the varied experience of each reader".

He said whenever business executives have examined it critically and pondered it; they usually see all sorts of relationship that neither he nor they expected. And sometime, he says, just by finding the pipes or tanks wrong in some way (that is, by finding items that seems contradictory to their understanding), they are provoked into re-examination of their own ideas. Like Cullitton's diagram serves a very useful purpose nevertheless in its existing form, it cannot be accepted as a model. (b) A "Sales' Pump" at the bottom of the system which draws cash through the production processes and returns it to the top of the system to circulate again. This is certainly closer to being a working model, but it does not provide a comprehensive picture of cash flow in a business. What does emerge, however is the vital necessity to keep the whole system in reasonable balance, otherwise there will be a surplus of cash at some parts of the system and serious deficiencies at other parts.

Walker opined that there is clearly a need for a more comprehensive analogy, which will portray accurately the principal accounting processes that go on in a business and which will provide the foundation for understanding and interpreting the financial information about company's operation given in the Aidan (1997:64, 137), Omuya (1982:75), Stoot and Truman (2003:22), Glautier and Underdown (1997:46), Alexander and Britton (1998:252), Oshisami (2004:129) are the following:

- Business Entity: The transactions recorded in a firm's book are the transactions that affect the firm. There must be total separation in the transaction that affects the business and the owners.
- Historical Cost: The assets are normally shown in the books at original cost price. It is the basis of accessing the future use of the assets.
- Money Measurement: Accounting is only concerned with those facts that can be measured in monetary terms with fair degree of objectivity.
- Going Concern: Unless the opposite is ascertained. Accounting always assumes that the business will continue in operation for an indefinitely long period of time.
- Realization: In accounting, profit is normally regarded as being earned at the time when goods or services are passed to the consumer and incurs the liability for them.
- Dual Aspect: This states that there are two aspects of accounting one represented by the assets of the business and the other by the claim against them. For every debit entry there must be corresponding credit entry.
- Accrual Concept: The fact that net profit is the difference between revenue and expenses rather than cash receipt and expenditure is known as accrual concept. A great deal of attention is therefore paid to this which when the mechanics needed to bring about the accrual concept are being performed is known as "*MATCHING CONCEPT'*

III. RELEVANCE OF ACCOUNTING INFORMATION TO NATIONS BUILDING AND DEVELOPMENT

The relevance of accounting information to nations in making decisions for national development issues cannot be over-stressed. It assists every nation of the world for the following benefits:

- Accounting provides information which is vital to the economic decisions that have to be made by the Government of a nation move forward in all its activities.
- Accounting also served as an information system that involves the provision of national development service.
- It is a part of management information required for decision making in the running of the affairs of a nation.
- It serves as a financial guide and direction to the national government leaders to avoid excesses and wastages.
- It is the basis for the analysis of the national investment decisions, performance evaluation and financial reporting.
- Accounting plays a vital role in both economic and social system of a country.
- Accounting records provide information that may be used within the business and which may be relied on by businessmen while making investment decision. The problem with most potential investors in the development nations is they are mostly illiterates and therefore required the services of any accountant and financial analyst to help access possible areas of investment. Budget implementation is another vital area where accounting knowledge is essential.
- Most budgets are stated in accounting formula and their implementation will require that knowledge that will enable officials read the budget as it affects their sector and even reflect on how other sectoral outlay may affect them.
- Accounting plays an essential role in economic development. High-quality corporate reporting is key

to improving transparency, facilitating the mobilization of domestic and international investment, creating a sound investment environment and fostering investor confidence, thus promoting financial stability.

IV. ACCOUNTING MODELS

The following accounting models are identified in the following groups:

1. *Assets:* Assets are the entire resources of a business to make it an entity. They are also concrete belonging that have monetary value. These could be grouped as tangible assets (land and building, plant & machinery, fixtures, fittings, tools, equipment etc), intangible assets (goodwill etc); investments; and current assets (cash and cash equivalents, receivables, stocks etc).
2. *Liabilities:* These are the indebtedness of the past, present and future of an enterprise as expressed in the balance sheet at the end of the year. These could be grouped as Long-term liabilities (share capital), preference share capital and debenture); and Current liabilities (payables, accrued expenses, taxation, bank, overdraft).
3. *Expenses*: These are the various costs incurred from the organization's activities or for running the organization. These could be grouped as staff cost; supplies & consumable used; operating expenses; depreciation & amortization, financial expenses; tax expense; distribution costs; administrative costs etc
4. *Income*: This is the whole cash inflows into a business as a result of its activities. Assets such as stocks are parted with and money flows into the business as income. This could be grouped as income from sales, tax income, royalties & concessions, compensations, other income, financial income etc.
5. *Investment Expenditure;* This show the outflows of financial resources due to investment activity during the accounting period. This could be grouped as investment expenditure in tangible and intangible assets; financial participations; investment contributions; extraordinary investment expenditure (amount written off from investment) etc.
6. *Investment Income:* This shows the inflows of financial resources due to investment activity during the accounting period. This could be grouped as decrease in tangible & intangible assets; loan repayments; disposal of financial participations; income from fixed asset investment; extraordinary investment income etc.
7. *Extraordinary Items*: These are items that occur outside the ordinary activities of an enterprise and are not expected to recur frequently or regularly. These could take the form of profits or losses arising from sales of trade investment/segment/line of business or subsidiary/expropriation of asset or nationalization of enterprise; and redundancy cost related to discontinuing product or business line.

Accounting and National Development: Nigerian Experience

Accounting is the torch light of leaders politically and otherwise. It is also machinery for controlling excess expenditure, corrupt practices of all citizens of the nation.

In Nigeria, it guides the government on major economic policy implementation, such as taxes, national income planning, national debt, external reserves management and control as well as budgetary system.

It provides the framework for internal control system fraud and mismanagement control, auditing and investigation matters. Bodies like Economic and Financial Crimes Commission (EFCC), Independent Corrupt Practices Commission (ICPC) and other financial crime agencies cannot perform effectively without a proper accounting model.

It is disheartening to hear that till today the Buhari led civil administration in Nigeria ever since he mounted the leadership seat, has been fighting corruption till date, Nigerian leaders are still carting away public funds to their private bank accounts or foreign accounts without commensurate punishment meted them but even if they are arrested, the next few months released.

V. METHODOLOGY

A population of the study is made of all conceivable elements, subjects and observation relating to the topic as data gathered from both primary and secondary sources. A sample of the study was randomly selected from the federal offices in Bayelsa State (i.e. Federal Character Commission, Federal Ministry of Labour and Productivity, National Identity Management Commission, Federal Ministry of Works etc). In this study, the above named federal offices were sampled by way of judgmental sampling technique, given the researcher clear knowledge of the population. Data were collected from the above named offices under consideration. Information about their existing accounting system was collected through questions. The questionnaires contain information on document used, books and journals maintained. Ledger account prepared, financial statements prepared, assessment of performance by the use of various ratios and auditing of accounts. Data collected were analyzed with the use of simple percentage to make comparison of data easy using SPSS software.

VI. RESULTS AND DISCUSSION OF FINDINGS

Data analysis revealed the majority of the respondents were male (59.26%) and 40.74%) of them were females. From table 11, it is observed that 35-39 age brackets of the respondents were 36.74% which is the highest percentage followed by 25-29 age brackets of the respondents. The research revealed that majority of the respondents representing 72.22% agreed that accounting information as a management tool to national development services in Nigeria as well as accounting information system has been a key to making decisions in such national issues relating to development (e.g. national budget etc). These findings are in consonance with the survey of Anthony (1994) and Bailey (1994). All the federal offices (i.e. national offices) make use of accounting information and records. The result of 'SPSS' using chi-square (x^2) statistical test at 0.05 level of significance with 6 degree of freedom is 57.7%. While the critical value is 12.6, we reject the hypothesis which specified that there is favourable impact of accounting information system in the national decision makings in terms of developmental projects in the country. This indicates that a national development decision in Nigeria is dependent on adequate accounting system.

VII. CONCLUSION AND RECOMMENDATION

Accounting information is of great importance to national development issues. Various scholars and authors have discussed accounting information. The national offices in Bayelsa State kept accurate accounting information and records including National Budget, National Income Accounting, National Expenditure Accounting, National Cash Flow Statements etc. After a thorough analysis of data collected from the offices of the Federal Government operating in Bayelsa State all make use of accounting information for development decision making and planning. Furthermore, all the offices prepare budgets adhere strictly to the national budget proposal specifications, prepared final accounts and depends on such accounting information records for planning and decision making for daily operations as well as for development services. Based on the above, the researcher therefore recommended that the national/federal government should employ qualified and chartered accountants to efficiently and effectively keep all relevant books of accounts, books of original entries, final accounts and maintained financial statement, budgets etc. The heads of various offices of the federal government functioning in the State must make sure that all relevant account books/reports should be kept at regular basis.

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