

**IFRS Adoption in Nigeria:
THE IMPLICATIONS OF ACCOUNTING
AND TAX DIVERGENCE**

ICAN  July/September, 2012 Vol. 16 No. 3
A PUBLICATION FOR STUDENTS ISSN: 1119-9636
STUDENTS' JOURNAL



ICAN ELECTS
New Officers For 2012/2013

CORRUPTION:
Whistle-Blower Approach Is The First Step
- Mr. Doyin Owolabi, 48th ICAN President

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Editorial Staff

EDITOR
Dayo Ajigbotosho

ASSISTANT EDITOR
Dare Muiwa

STAFF WRITER
Sunkanmi Oloketuyi

ADVERTS
Orhue Gobadia

ICAN Students' Journal

(ISSN: 1119 - 9636) is published quarterly by the Institute of Chartered Accountants of Nigeria, Plot 16, Professional Centre Layout, Idowu Taylor Street, Victoria Island, P.O.Box 1580, Lagos. Tel: 742294-5, 4722779 Email: info.ican@ican.org.ng; corporateaffairs@ican.org.ng; daajigbotosho@ican.org.ng Website: www.ican-ngr.org

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Correspondence should be addressed to:
The Corporate Affairs Department, ICAN
P.O.Box 1580, Lagos.

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Editor's Note

The 48th President of the Institute of Chartered Accountants of Nigeria, Mr. Adedoyin Idowu Owolabi, BSc (Econs), MILR, MNIM, FCA did not plan to become a Chartered Accountant from the outset. His first love was Medicine, but somehow he ended up in the profession that gave him the joy and satisfaction of his life.

At Methodist Boys High School, Lagos, the young Owolabi was a Science student and was so much in love with the numerate subjects. His determination was to study medicine in the University and his decision remained unchanged until he noticed that one of his elder brothers who had HND in Accountancy from Yaba College of Technology with a professional qualification of ACIS was doing so well. Apart from that, he also admired two Chartered Accountants, Balogun Omidiora and Chief Kola Bajomo, who were always coming to see his parents at that time. That was how his love for Accountancy started germinating.

Eventually, he was admitted to study Biological Sciences at the University of Ife (now Obafemi University, Ile Ife). His plan was to change to Medicine later but that did not happen because the Faculty of Science was not willing to continue losing its best students to Medicine, Pharmacy and Engineering. He continued with the course until he was no longer enjoying it even though he was passing well. He changed to Economics.

There were other hurdles but he took good counsel to pursue his ambition of becoming a Chartered Accountant, even if it was going to take him a hundred years. Thus, after earning his BSc in Economics, he registered for the professional ICAN examination which he passed to qualify in 1985.

Prior to his election as the 48th ICAN President, Owolabi had served the Institute in almost all the Institute's Committees either as a Chairman, Deputy Chairman or member. Apart from being trained in the firm of the Doyen of Accountancy in Nigeria, Mr. Akintola Williams, Owolabi garnered his wealth of experience from a good number of the Institute's founding fathers whose efforts to lay a solid foundation for the Institute he appreciated during the Interview he granted the team of ICAN Students Journal.

During the interview entitled *Corruption: Whistle-Blower Act is the First Step*, he spoke extensively on the nation and the economy. His comment on the newly adopted International Financial Reporting Standards (IFRS) is inspiring. Besides his comments on IFRS, we serve you an enlightening article on the subject in this edition. It is entitled "IFRS Adoption in Nigeria: The Implications of Accounting and Tax Divergence" by Ben Ukaegbu.

Your comments on the interview and articles in this edition are welcome. Please write to: corporateaffairs@ican.org.ng; daajigbotosho@ican.org.ng

ICAN ELECTS New Officers For 2012/2013

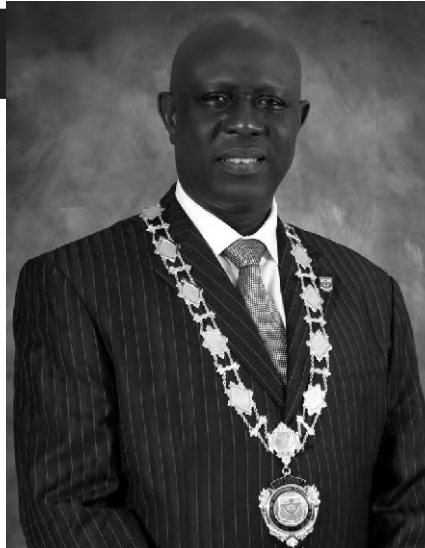
The Institute of Chartered Accountants of Nigeria, ICAN, has elected new officers to run the affairs of the

Institute for the next one year. Mr. Adedoyin Idowu Owolabi B.Sc, MILR, FCA, emerged as the 48th President and his investiture took place after an election on Wednesday, May 30, 2012 at the Institute's Secretariat in Victoria Island,

Lagos. Also elected are: Alhaji Kabir Alkali Mohammed, mni, FCIS, FCMA, FCA as Vice President; while Mr. Chidi

Ajaegbu, Bsc, MBF, FCA and Otonba Samuel Olufemi Deru, FCA were elected 1st and 2nd Deputy Vice Presidents respectively; Deacon Titus Alao Soetan, FCA became the Institute's Honorary Treasurer.

Mr. Doyin Owolabi, 48th ICAN President



Mr. Doyin Owolabi, attended Methodist Boys' High School Lagos, 1972 (WASC); Federal School of Science, Lagos, June 1975 (HSC); University of Ife, Ile-Ife (now Obafemi Awolowo University) June 1980, B.Sc (Hons) Economics; University of Lagos, Akoka 2005 for a Masters in Industrial and Labour Relation (M.I.L.R). He qualified as a Chartered Accountant in 1985. He became a Fellow in 1995. He became a member of the Nigerian Institute of Management, MNIM, 1997.

He had his professional training at Akintola Williams & Co, Lagos (now Akintola Williams Deloitte) from 1981 – 1988. He was General Manager (Finance & IT) (1988 to Date); He also worked with Nfi Insurance Co. Plc (Formerly Nigerian – French Insurance Company Plc.). He is the Chief Executive of Doyin Owolabi Consulting Associates, Lagos – 2007 to date.

Mr. Owolabi has also served the Institute in various capacities which include: Chairman, Annual Accountants Conference Committee (2007 to Date); Chairman, Investigating Panel (2007 to Date); Council Member, of ICAN, 1998 to date; Member, Selection Committee (2006 to date); Director, VI Publishers Ltd, (Publishers of Students Study Packs); Member, New Syllabus Implementation Committee; Member, Finance and General Purpose

Committee (2006 to date); Chairman, Professional Examinations Committee (2005 to 2007); Member, Annual Accountants Conference Committee (1996 to 2004); Conference Director, (2000-2001); Deputy Chairman, Annual Accountants Conference Committee (2003 – 2004); Chairman, Investigating Panel (2000, 2003 to 2004).

Others include: Member, Members' Benevolent & Educational Trust Fund Committee (2000 to date); Member, Membership Affairs (1996 – 2003); Member, Computer Coordinating Committee (2000 – 2003); Executive Member, AAT Committee (1999 – 2003); Member ABWA Congress

Committee (1999 & 2004); Member, ICAN Vision 2010 Workshop Committee (1997); Chairman, BPE/ICAN Committee on Insurance Sector Reform (2001); Member, Coordinating Committee of CAB (1998); Hon. Auditor, Ikeja District Society of ICAN (1993 – 1995); Social/Publicity Secretary, Ikeja District Society of ICAN (1996 – 1998); ICAN Assessor and Examiner (1989 – 2000); Chairman, Investigating Panel (2000, 2003 – 2004); Member, Staff & Organization Sub-Committee (2007 to date); Member, Induction Sub-Committee (1996 – 2000); Member, Funds, Revenue and Cost Control Sub Committee (2006 – 2007); Member Fellowship Award Sub Committee; Special Candidates Sub. Committee; Hon. Auditor, Ikeja District Society (1993 – 1995); Social/Publicity Secretary, Ikeja District Society (1996–1998).

Nationally, Mr. Owolabi has served in the following capacities: Chairman, Committee on Taxation of Insurance Business (2003– 2004); Chairman, Accounting Tech. Committee (NIA) (1996 –1998); Chairman, NIA Review Committee on ED 16; Member, National Fund Raising Committee of Nigerian Red Cross (2001-2004); Member, Ikoyi Club; Lagos Country Club; Ikeja Golf Club; Abeokuta Golf Club; Member, Committee on Reconstruction/Commercialization of Trade Fair Complex (2006–2007).

Mohammed Kabir Alkali, Vice President



The Vice President, **MOHAMMED KABIR ALKALI**, attended Government College, Sokoto (1965-1969) WASC Div. II; Federal Training Centre, Kuru, Jos (1970-1971); WestHam College, Now East London University (1972-1973) 3 "A" Levels; Chelmer Institute of Higher Education, Essex (1974-1977) (ACIS); London School of Accountancy (1977-1978) (ACMA). National Institute for Policy & Strategic Studies (2007) Kuru, Jos (Policy & Strategy) mni; Havard Business School, Boston, USA (2009) (Corporate Governance).

Professionally, Mohammed started his career as Secretary, New Nigerian Newspaper, Kaduna. He was Cost Accountant, CRYO Plants, London (1978-1979); Principal Accountant, FRCN, Kaduna (1979-1980); Asst. Chief Accountant, FRCN, Kaduna

(1980-1982); Chief Internal Auditor FRCN, Kaduna (1982-1984), Acting Bursar, University of Sokoto; Senior Manager, UBA Plc; Principal Manager, UBA Plc; General

Manager (F&A) NEPA; Executive Director, (Finance & Accounts) NEPA; Diamond Bank Plc. Board Audit Committee Member; Director, T & T Engineering Limited ; Director, Deutsche Badcock Nig. Limited; Chief Executive Officer, Millennium Resources Limited.

Alhaji Mohammed has served the Institute of Chartered Accountants of Nigeria in various capacities such as Member, Deputy Chairman and Chairman of various committees. His services to the public include National Treasurer, Alumni Association of the National Institute; Council member, Federal Polytechnic, Nasarawa; Member, Economic & Financial Committee (UPDEA), Ghana & Tunisia (1995-1999); Member, Commission on Review of By-Laws of UPDEA, Burkina Faso (1993).

Ajaegbu Onyeukwu Chidi, 1st Deputy Vice President

The 1st Deputy Vice President, Mr. Ajaegbu, Onyeukwu Chidi, attended Government College, Surulere, Lagos (1982 – 1984) GCE A' Levels; Government College, Surulere, Lagos (1977 – 1982) WASC; Mbutu Umuojima Pry School, Osisioma Ngwa, Abia (1970 – 1976) First School Leaving Certificate with Credit Pass. He trained and qualified as a Chartered Accountant in Binder Balogun & Co. (BDO) 1984 – 1988. He holds a Masters degree in Banking and Finance from University of Lagos. He is a Fellow of the Institute of Chartered Accountants of Nigeria (ICAN); an Associate of the Chartered Institute of Stockbroker (CIS); Associate of the



Heritage Capital Markets Ltd. (Member, Nigerian Stock Exchange) Chief Executive Officer 2008 – till date; Mutual Alliance (Member, Nigerian Stock Exchange) Founding/Pioneer Chief Executive Officer 1997-2008; BCIC Investment Ltd/LTC Advertising (CBN Licensed Finance house) AGM to Executive Director 1992 – 1997; Binder Balogun Badejo & Co. (BDO) Audit trainee to principal analyst 1984 – 1992.

He has served the Institute in various capacities as member, Deputy Chairman and Chairman of various committees. He has been a member of ICAN Governing Council since 2001. He has also served the public in numerous capacities.

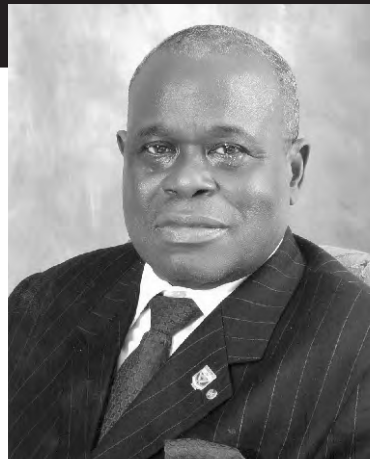
Otunba Olufemi Deru, 2nd Deputy Vice President

The 2nd Deputy Vice President, **OTUNBA OLUFEMI DERU**, is a fellow of both the Institute of Chartered Accountants of Nigeria (FCA) and Associate of Chartered and Certified Accountants of United Kingdom (FCCA), an Associate member of the Institute of Secretaries and Administrators (ACIS), Fellow of Nigerian Institute of Management (FNIM) and Justice of Peace (JP) of Ogun State.

Femi Deru has worked in various capacities in the United Kingdom and Nigeria, as the Group Management Accountant of Berec Group in London and as a Chief Tax Officer in Her Majesty's Tax Office in Barnet District Hertfordshire and Grosvenor District in London.

In Nigeria, he worked as Chief Accountant and Company Secretary of Berec Nigeria Plc, Finance Director, Managing Director and as Chairman from 1972 to 1998.

A Senior Associate Consultant with Omolayole and Associates, a leading



management consultant outfit in Lagos. He is the Managing Partner of Femi Deru & Associates as well as a council member of Institute of Chartered Accountants of Nigeria (from 2002) and Chairman of Annual Accountants Conference 2003 to 2005. He served as Coordinator and Secretary to Council, Nigerian Institute of Management 1995 – 1996 and the Finance and Investment

Committee 2005 and currently the Chairman of the Audit committee.

He was a council member of the Lagos Chamber of Commerce and Industry since 1982 and became the Chamber's President from 2009 to 2011. He was Chairman Industrial Group 1995 to 1998, Hon. Treasurer 1999 to 2002, Vice President from 2003. Chairman of Tenders Board 2003 to 2005 and Chairman Trade Promotion Board, the organizer on behalf of Lagos Chamber of Commerce and Industry of the Lagos International Trade Fair 'the biggest and the best'.

He is a Rotarian and had served as President, Rotary Club of Ikeja 1996 to 1997 and District Treasurer of Rotary International District 9110 (Ogun and Lagos States) in 1989/90. He has served and represented the Organized Private Sector in various seminars, courses, forums and conferences where he made very valuable contributions.

He is on board of private and public companies i.e. Chairman Basscomm Nigeria Ltd, Director (alternate) Eterna Oil and Gas Plc, Governing council of Nigeria Council for Management Development.

Deacon Titus Alao Soetan, Honorary Treasurer

DEACON TITUS ALAO SOETAN attended Premier Grammar School, Abeokuta (1967 – 1971), where he obtained WASC (Division One). He also attended The Polytechnic Ibadan (1973 – 1975) and made a distinction in OND Accountancy. He was also at the City of Birmingham Polytechnic, U.K. (1976 – 1977) where he qualified as ACCA.

He commenced his professional career as Accounts Clerk at W.N Housing Corporation (1972 to 1973). He was the Accountant, Nigerian Television Authority (1978 – 1979). He was Audit Senior Manager at Z.O. Ososanya & Co (1979 – 1985) and became Partner, Z.O. Ososanya & Co (1985 – 1998). He was Partner, Oyelami Soetan Adeleke & Co (1998 to 2005). He was Senior Partner, Oyelami Soetan Adeleke & Co. (2005-2008) before moving to Baker Tilly as Senior Partner from 2008 till date.



Soetan is a Council member of ICAN since 2004 to-date. He was Member, Members' Education and Training Committee (ME & T) (2004 to 2005); Member, Professional Exam. Committee (2000-2009); Deputy Chairman,

Professional Exam, Committee (2005-2007); Chairman, Professional Examinations Committee (2007-2009); Member, Professional Monitoring Committee (2004 to 2006); Chairman, Professional Practice Monitoring Committee PPMC (2006-2010); Member, Finance & General Purpose Committee (2007-2010); Member, Audit Faculty (2008-2010); Member, Faculty Management Board (2008-2010); Member, District Society Committee (1998-2000); Member, ICAN PPS Board (2004-2008).

Deacon Soetan has also served in various sub-committees of ICAN. He is a versatile paper presenter and resource person at various levels of the Institute. His services to the public include Member, Governing Council of NASB (2008-date), Member, Budget Committee, Nigerian Baptist Convention (2000 - 2009); Chairman, Nigerian Baptist Bookstore Limited (2001-2009).

ICAN WILL SUPPORT GOVERNMENT with Policy Recommendation - *Owolabi*

THE 48th President of the Institute of Chartered Accountants of Nigeria (ICAN), Mr Doyin Owolabi has promised that the Institute will continue to support Nigerian government with policy recommendations to move the country forward.

Owolabi who made the promise in his inaugural speech during his investiture in Lagos on Wednesday, 30th May, 2012, also affirmed that accountancy profession remains the beacon of hope for the Nigerian nation, even in the face of challenges of peaceful democratic transition at all levels of governance.

“We must rebuild the waning confidence of stakeholders in our non-negotiable public interest mandate. We will continue to cooperate with and support the government through the submission of policy recommendations and share our expertise in optimum resource management with persons with governance responsibilities at all levels,” he said.

“We intend to be actively involved and indeed, be on the driving seat of the process for the renaissance of our nation's value systems. We will continue to expose ethical compromises and sanction deviants whose conduct, which, if not checked, can demean and bring the hard-earned and towering goodwill/image of the Accountancy Profession to disrepute. As professionals, we must stand up and be counted on the side of equity and justice both in words and in actions.”

“In an era in which the economic prosperity and clout of any nations are inextricably bound to their degree of adherence to universally accepted ethical values, the Accounting Profession in Nigeria, as in other parts of the world, must continue to lead the crusade for transparency and accountability in governance. In fact, never before has so much premium been placed on the expertise and integrity of the Chartered Accountant by society and the business community in resource management and security of assets”.

“At such a momentous time in the lives of corporate entities and the nation, the Accounting Profession cannot afford to falter. Make no mistake: criminals are now becoming more ingenious and scientific in their approaches to fraud and related crimes. As professionals, we must be many steps ahead of them such that criminals are precluded from benefitting from their crimes”.

“Thus, as we step up our strategic capacity building efforts in the areas of Investigations, Digital Audit, Fraud and Forensic Accounting, we will continue to partner with other professional bodies and agencies of government to rid the nation of corruption, sharp and unethical practices. As seasoned

professionals, we will continue to walk our talk by proactively delivering on our mandate as the conscience of the nation”.

“Pursuant to this, we would, during the year, prepare and present a Whistleblower's Bill to the National Assembly for consideration and passage as part of our contributions to the fight against corruption. We would step up aggressive campaigns to enforce compliance with subsisting legislations designed to promote accountability in governance like the Nigerian Extractive Industries Transparency Initiative (NEITI) Act 2007, the Fiscal Responsibility Act 2007, the Public Procurement Act 2007, Freedom of Information Act 2011, Financial Reporting Council (FRC) of Nigeria Act 2011, Money Laundering (Prohibition) Act, 2011, etc”.

Declaring the theme of the Presidential year as Building a Solid Structure on a Sound

Foundation: Quo Vadis ICAN?, Owolabi explained that his focus would be on how to improve on the existing system for the benefit of all stakeholders.

“Without doubts, we inherited an enviable legacy and an institution founded on the best global values of excellent service delivery in the public interest. Thus, during the year, using our professional expertise and intellectual scholarship, we will re-define the best values of our profession and defend our audit franchise in our strategic desire to deliver greater value to stakeholders”.

“In my view, after 47 years of existence and impressive



The 48th President with Council members of the Institute



The 48th ICAN President with members of SWAN

achievements, the dynamics of the Institute and membership mix, have changed very significantly and to be on top of our game, we need to know where the Institute is in the developmental sequence. We need to question existing fundamental assumptions; we need to re-appraise our strategies and chart a new path, for, unusual situations, demand unusual actions/solutions.”

Also elected to serve with Owolabi for the next one year were: Alhaji Kabir Alkali Mohammed, mni, FCA as the Vice President; Mr. Chidi Onyeukwu Ajaegbu, ACS, MBF, FCA, as First Deputy Vice President; and Otunba Olufemi Deru, FCA, as Second Deputy Vice President. Deacon Titus Alao Soetan, FCA was appointed the Honorary Treasurer of the Institute.



The 48th ICAN President with Management Staff of the Institute

Examination Malpractice: ICAN Blacklists Three Professional Students

In line with its discipline and zero tolerance for examination malpractices, the Institute has blacklisted three students caught cheating during May 2012 Professional Examinations.



ICAN President, Mr Doyin Owolabi the Vice President, Kabir Mohammed, in a group photograph with the Accountancy students of Rivers State University

The three students are Mr. Uchenna Kelechi Onyema, Mr. Stephen Areremi Esemieghan and Mr. Onyebuchi Henry Okoye.

On 16th May 2012, during May 2012 Professional Examinations at Port-Harcourt Centre, Onyema was caught with written materials related to Corporate and Business Law paper he was writing. He was made to write his own statement which upon investigation found him guilty. The exhibit and the invigilator's report were also evidences against him.

Esemieghan was also caught on 15th May 2012, during May 2012 Professional Examinations at Warri Centre, with some pieces of paper related to Financial Reporting and Ethics paper he was writing. He was made to write statement which upon investigation found him guilty. The exhibit and the invigilator's report were also evidences against him.

Okoye was also caught on 16th May 2012, during May 2012 Professional Examinations at Warri Centre, with written formulas at the back of his docket and time table, while writing Advanced Audit and Assurance. The formulas were related to the paper he was writing. He was made to write statement which upon investigation, found him guilty. The exhibit and the invigilator's report were also evidences against him.

After due investigations, the Council of the Institute decided that the three students should be blacklisted and banned from all the Institute's examinations. They were deregistered as candidates and have all the papers taken during the May 2012 diet professional examination cancelled.

ICAN's Effort at Encouraging Students is Unmatched – VC

The Acting Vice Chancellor of Niger Delta University, Yenagoa, Bayelsa State, Professor Humphrey Ogoni has reiterated that no professional body can match the Institute

of Chartered Accountants of Nigeria (ICAN) in its efforts at encouraging students to embrace professional qualifications in their various career.

The Vice Chancellor made the remark during the courtesy visit paid to him by the 48th President of ICAN, Mr Doyin Owolabi. The VC expatiated further that apart from ICAN that visits his school regularly for accreditation exercise and to counsel students, no other professional does that.

“I am an Engineer and a member of a professional body as well but my professional body has not come here neither any other, but ICAN is always here to see us and encourage our accountancy students. We are also grateful to ICAN for the materials given to us to aid teaching and lecturing of our students. At this juncture, I want to say that the last time ICAN accreditation panel came here, they did a good job and I promise that the high standard we maintain would not be compromised.

Earlier, the 48th President of ICAN, Mr Doyin Owolabi had told the VC that ICAN team led by him was in Bayelsa state for two things. He said ICAN in its usual operation itinerary visits members of the Institute on district basis, to see how they are faring with the users of their services and have first hand information about their challenges. He also said his team was in Bayelsa to attend the 7th Eastern Accountants Conference holding in Yenagoa.

He appealed to the VC to always encourage their students to register for ICAN examinations and pass them to become Chartered Accountant, as professionalism is the best bet today all over the world.



ICAN President and his entourage with students of Niger Delta University, Yenagoa, Bayelsa State

Old Accountants, Lecturers Must Take Up the Challenges of IFRS – Adepate

The Registrar/Chief Executive of the Institute, Mr. Olutoyin Adepate has advised the old chartered accountants in practice as well as lecturers to take up the challenges of studying the International Financial Reporting Standards (IFRS).

Adepate gave this advice during a lecture he delivered at a 3-day Practical IFRS Training for lecturers held at NBTE-UNESCO Staff Development Training Centre, Federal Polytechnic, Ilaro on Tuesday, June 26, 2012.

He noted that the adoption of IFRS in Nigeria since January

2012 has made it extremely important to develop capacity in that direction because financial reports would be prepared using the International Financial Reporting Standards (IFRS).

Furthermore, he said that though lecturers were not taught IFRS during their student days, they must equip themselves by studying and knowing the IFRS with a view to teaching the students so that they would be acquainted with the Standards before their graduation.

The programme Coordinator, Mr. Adebayo Samson noted that at the end of the 3-Day practical training programme, participants are expected to continuously develop themselves through personal study and application of the IFRS.

Why ICAN Members Must Market Our Products – Doyin Owolabi

The 48th President of the Institute, Mr Doyin Owolabi has appealed to all members of ICAN, irrespective of their positions and status, to assist the Institute in marketing its product i.e. the Accounting Technician Scheme of West Africa (ATSWA) and Professional examinations.

Owolabi made the appeal in Port Harcourt, River State capital during his Presidential visit to Port Harcourt and District Society of ICAN. He said the springing up of various accounting bodies in the country has shown clearly that the competition is rife, hence the need for aggressive marketing.

He appealed further that all members should counsel their brothers, sisters, children and relatives to embrace accountancy as a career and register for ICAN examination either at the ATSWA or professional level to become a Chartered Accountant within shortest period of time.

Speaking on the relationship between the Association of National Accountants of Nigeria (ANAN) and Chartered Institute of Taxation of Nigeria (CITN), Owolabi said that the entire crisis has been resolved and cordiality now exists between ICAN and the two bodies.

As part of his itinerary during the tour, the President also visited Rivers State Polytechnic, Bori where he interacted with the Rector and Students of Accountancy. He told the Rector of the Polytechnic, Sir Nwolu-Elechi Obianko that his mission was to encourage the students to register for and pass ICAN's professional examinations. He disclosed further that he was there to also maintain the cordial relationship between the school and ICAN, by getting first hand information about how ICAN members are faring in the employment of the Institution.

Responding, the Rector praised ICAN for the thorough job it did before Accountancy could be accredited in the Polytechnic. While rating high the ICAN members working in the Polytechnic, the Rector implored ICAN President to make visit to the Institution a regular one.

ICAN Loses Nine Members, Management Staff in Plane Crash

The Institute was thrown into mourning period in June over the sudden passing away of nine of its members and a Management Staff in the unfortunate Dana plane crash of Sunday, 3rd June 2012 at Iju-Ishaga area of Lagos.

The nine members involved in the crash were Mr. Awodogan

Olusanmi (Membership number: 25222), Mr. Komolafe Olugbenga (Membership number: 7388), Mrs. Ogechi Onyeagocha (Membership number: 6601), Mr. Peter Anosike (Membership number: 10880), Mr. Yusuf Ibrahim (Membership number: 4179) and Mr. Adetunji Akintola Oloko (Membership number: 4789), Mr. Daniel Amajuoritse Awani (Membership number 5372), Mr. Anthony Okara (Membership number 33896) and Mr. Aderoju Osunbade David (Membership number (16479). The management staff in the accident was the Senior Manager at ICAN's Abuja Liaison Office Mrs. Lillian Las.

Reacting to the incident, the Registrar/Chief Executive of ICAN, Mr. Olutoyin Adepate, described the news of the involvement of the members and staff in the plane crash as most distressing to everybody.

“The news came to all of us as a shock, but the incident was beyond our control. While we pray to God for the repose of the souls of those involved in the crash, we sympathize with their families and all Nigerians, also praying that God will grant them the fortitude to bear this great loss and the consequential pain, stem the tide of calamities and restore peace to our beloved land,” he said.

Fuel Pump Price Hike a Blessing in Disguise - Doyin Owolabi

The 48th President of ICAN, Mr. Doyin Owolabi has described the fuel pump price increase in January 2012 by the federal government as a blessing in disguise.

Owolabi stated this at the 2nd Annual Public Lecture organised by the Chartered Accountants in Lagos State Public Service on Thursday, June 14, 2012 at the Lagos Sheraton Hotel, Ikeja, Lagos.

In his address as the Chief host of the occasion, he noted that; “the uproar that accompanied the Federal Government's action as well as the probe that followed thereafter has exposed a lot of corrupt practices going on in the oil sector to the common man on the street”.

The annual lecture with the theme “Accounting and Accountability in the Oil and Financial Sectors” was organized under the chairmanship of Otunba Lateef Owoyemi, an ICAN past president.

The invited special guest of honour, the Executive Governor of Lagos state, Mr. Babatunde Raji Fashola, was represented by Mr. Lateef Abari, Permanent Secretary in the office of Head of service. The Ogun state governor, Senator Ibikunle Amosun who was the guest speaker, was also represented by the Commissioner for Budget and Planning in Ogun State, Mrs. Wande Muoyo. The guest lecturers were Dr. (Mrs.) Solabomi Ajibolade, the Head of Department, Accounting, University of Lagos and Mr. Peter Esele, the Trade Union Congress (TUC) President, represented by Comrade Joseph Oshopeghai.

AWD Pledges Technical Support for ICAN

The Chief Executive Officer of Akintola Williams Deloitte, Mr. Adeniyi Obe has promised that the firm would give technical support to the Institute of Chartered Accountants

of Nigeria (ICAN).

He made this pledge while playing host to the 48th President of the Institute, Mr. Adedoyin Owolabi and his team who paid a courtesy visit to the firm on Tuesday, June 3, 2012.

He also stated that the firm which is one of the largest that produce trainees holds it as a duty to ensure that anyone who is carrying the stamp of the firm is well trained and updated technically. He said it is against this back drop that the firm maintains the willingness to share its wealth of knowledge with those who are willing to tap from it.

“Keeping knowledge without sharing it translates to waste, therefore we are willing to give out technical support to the Institute and the profession at large”, he said.

While addressing the Partners in the firm, Owolabi extolled them for their efforts in raising the accountancy profession high. He therefore requested for more assistance from the firm, ranging from lending technical support to the training of members, sponsoring of more of their staff to the Annual Accountants Conference, giving support in the area of Information Technology as well as supporting the 'Whistle Blower' Bill being proposed by the Institute to the National Assembly.

he President, Mr. Owolabi, who was referred to as a 'member of the AWD family' having had his training at the firm before qualifying as a Chartered Accountant said he was happy to be at the firm as it was among the first firm he promised to visit after his investiture.

Government Needs Chartered Accountants as Advisers on Financial Policies – Governor

The Governor of Bayelsa State, Hon. Henry Seriake Dickson has said that Chartered Accountants should move closer to governments at all levels and offer advice to them on financial policy formulations.

The governor who was represented by his deputy, Rear Admiral Gboribioha John Jonah stated this at the 7th Eastern Accountants Conference held in Yenagoa, the Bayelsa state capital.

According to him, Chartered Accountants have been wonderful and useful to governments in the past and should continue with the feat. While disclosing that Bayelsa has produced more than 100 Chartered Accountants, the Governor assured that the state would not rest on its oars to produce more on yearly basis.

He also assured that the communiqué issued after the



ICAN President, Doyin Owolabi being welcomed by the State Deputy Governor, Rear Admiral Gboribioha John

conference, if passed to appropriate quarter at the government circle, would be looked into as a guide in taking certain decisions.

In his welcome address, the ICAN President, Mr Doyin Owolabi expatiated how far the Institute has gone in terms of capacity development as part of its mandate. He explained that it has produced about 36,500 Chartered Accountants and 14,500 Accounting Technicians who are delivering value to their diverse clientele and employers in the various sectors of the national and international economy.

He also said that the Institute is not oblivious of the challenges facing the local environment, hence its resolve to conceptualise a programme – the Students Special Project (SSP) to cater for the needs of the states perceived to have dearth of Chartered Accountants required to drive the economy. He declared that Bayelsa was the first to embrace the project as the programme has produced over 30 Chartered Accountants while many more have passed various stages of the Institute's professional examinations.

BCI Collaborates with ICAN on IFRS Training

Members of the Business Club of Ikeja (BCI) are seeking a training collaboration with the Institute of Chartered Accountants of Nigeria (ICAN) on the International Financial Reporting Standards (IFRS).

This request was made to the 48th President of the Institute, Mr. Doyin Owolabi at Ikeja where he delivered a public lecture on “Proper Audit – A Vital Tool for Good Governance” as part of the



ICAN President delivering his lecture at the Luncheon.

Club's 2012 Business Luncheon/Annual General Meeting.

Mr. Owolabi's lecture which laid emphasis on how auditing would help business community to grow, disclosed that the 'hallmarks for good governance which is embedded in transparency and accountability include full disclosure about all the transactions of the organisation, reliability and accuracy of information, proper record keeping and many others’.

While responding to the request of the Club, the President assured them that the Institute has qualified members who would be willing to speak at seminars and train people on diverse topics, urging them to first lay the ground work which ICAN shall respond to.



IFRS Adoption in Nigeria: THE IMPLICATIONS OF ACCOUNTING AND TAX DIVERGENCE

By Ben Ukaegbu

Abstract

The adoption of IFRS by companies in Nigeria poses major challenges to tax authorities –Federal Inland Revenue Service, (FIRS). IFRS is essentially investor focussed with the underlying principle of providing financial information to satisfy the needs of investors. This rationale is likely to be at variance with the tax authority's aim of maintaining a fair tax system. Financial reporting and taxation have different purposes and requirements and imported international accounting standards are unhelpful in achieving the objectives of a national tax authority. This paper examines the areas of potential divergence in accounting and taxation principles and evaluates the options available to the FIRS.

Key words: IFRS; FIRS; Regulations; Taxation and Accounting Concepts.

Introduction

Nigerian companies have adopted IFRS for the first time in 2012. IFRS is a set of accounting standards presented by the world's accounting standard board, International Accounting Standard Board (IASB). The claimed benefits of the Standards include the provision of a reporting framework for greater comparability of financial information for investors, greater willingness on the part of investors to invest across borders, lower costs of capital and more efficient allocation of resources and higher economic growth.

IFRS can be described as essentially 'investor focussed'. The rationale underlying this investor focus is basically that if the financial information produced satisfies the needs of investors, it should also, by definition, meet most of the needs of other users of financial statements. The question to be answered is: are the fundamental principles underlying IFRS

appropriate from the perspective of the Federal Inland Revenue Service (FIRS).

Financial reporting and taxation have different purposes and requirements. Accounting involves the preparation of information for the purposes of control and decision making and may require interpretation as well as simply recording factual information. The main purpose of taxation is usually to raise revenue but it is also used as an instrument of government economic and social policy. For a tax system to operate successfully within the law, it requires a degree of certainty that may not always be appropriate for financial and commercial reporting. Furthermore, there may be alternative methods of preparing accounts that are equally acceptable in terms of accounting standards but the choice of which might be inappropriately influenced by the taxation implications. The fundamental point is that accounting and taxation exist for different reasons. One clear view from the US held that 'financial accounting and tax

accounting are not the same. They have different objectives, are subject to different rules and serve different purposes' (Green, 1995, p.449).

The fundamental concepts of IFRS and taxation

One may be tempted to ask how appropriate the fundamental concepts of IFRS are to FIRS. In order to assess the tax implications of IFRS, it is necessary to examine whether the fundamental concepts underpinning IFRS are consistent with those of a fair tax system. In order to explore this issue, it is also necessary to examine the fundamental objectives of IFRS, as these clearly inform the underlying concepts of the rules. In the Preface to IFRS include the objective:

'to develop ... a single set of high-quality, understandable and enforceable global accounting standards that require high quality, transparent and comparable

information in financial statements and other financial reporting to help participants in the world's capital markets and other users to make economic decision' (IASB)

A moment's reflection on the above objective may indicate whether IFRS is appropriate for taxation purposes. Although, IFRS's objective refers to 'other users' of financial statements, which would include FIRS, it is clear that the main focus of IFRS is on providing financial information to providers of risk capital to enable them to make informed decisions regarding the entities in which the capital is invested. The underlying intention is probably to ensure comparability of the financial position of different entities, irrespective of where those entities are located, Lagos, New York or London, such that risk capital will be allocated in the most efficient way, thereby leading to a lower cost of capital for the best performing entities.

In essence, IFRS can be seen as geared towards the benefit of the investor. The rationale behind the investor approach is seen in some of the fundamental concepts underlying IFRS – a balance sheet approach. IFRS intention is to provide a statement of the financial position of a company at a specific point in time to enable an investor to make decision. Therefore, the historical performance record of the company (income statements) can be seen as a by-product as opposed to the central focus of the financial statements. However, the basis of a tax computation is generally the historic performance record of a company, the Income Statement. As far as the central focus of the financial statements is the balance sheet and not the Income Statement, (profit and loss account), it is reasonable to enquire whether the information contained within the financial statements will necessarily satisfy the needs of FIRS.

It can be argued that the balance sheet approach may also result in a different level of materiality being applied in the financial statements compared with the one for tax

computation. This is pertinent with the financial statements of financial institutions where issues of materiality of the financial statements are likely to be high.

The other focus of IFRS is the use of fair values. The IFRS concept of fair value is defined as *'..the amount for which an asset could be exchanged, a liability settled, or an equity instrument granted could be exchanged between knowledgeable, willing parties in an arm's length transaction'* (IASB). In assessing the financial position of a company, the focus is very much on the ability of the company to generate cash and cash equivalents, and the timing and certainty of these, as they are the

different. This was made very clear, for example, in a case in the US Supreme Court, Thor Power Tools Company v. Commissioner of Internal Revenue 58L.Ed. 2d.785 at 802 (1979). The case concerned matters relating to inventory accounting procedures and additions to bad debts reserves and that accountants might be more conservative for commercial reasons than was appropriate for the assessment of tax. It was stated that:

"Financial accounting, in short, is hospitable to estimates, probabilities and reasonable certainties; the tax law, with its mandate to preserve the revenue, can give no quarter to uncertainty. This is as it should be. Reasonable estimates may be useful, even essential, in giving shareholders and creditors an accurate picture of a firm's overall financial health; but the accountant's conservatism cannot bind the Commissioner in his efforts to collect taxes."

Furthermore, there are other reasons why taxation might deviate from accounting concepts of income. While the most obvious purpose of taxation is to finance public expenditure, the extent and magnitude of taxation in modern economies also makes it a powerful instrument of government economic and social policy in its own right. While it is true that some taxation

measures might be introduced to improve economic decision-making, others are implemented for very different reasons.

Even when such tax provisions exist for purely economic reasons, it does not mean that they will necessarily coincide with the purposes of financial accounting since the government may be taking account of wider public economic interests rather than the specific economic reasons that pertain to that tax provision. For example with depreciation, (capital allowances), where the amounts allowed for capital expenditure may be adjusted for the purposes of taxation in order to encourage private sector investment.

On the other hand the government might decide that certain activities normally considered acceptable for commercial purposes should not be given tax

“ A fair tax system is generally founded on the principle of 'ability to pay', that is, a taxpayer must not be in a position where he/she is unable to settle the tax liabilities. ”

fundamental drivers of the value of the business. The fair value concept approach is regarded as a more reliable measure of a company's cash-generating ability than historic cost. A fair tax system is generally founded on the principle of 'ability to pay', that is, a taxpayer must not be in a position where he/she is unable to settle the tax liabilities. This principle is challenged where tax is computed by reference to the fair value of assets reflected in a company's financial statements, since the company could be put in the position of incurring a tax liability in respect of profits that have not been realised in cash terms, thereby putting the company in a position of not being able to settle its tax liabilities. It is therefore conceivable to argue that IFRS is not based on the principles of realised profits.

The requirements of a tax system are quite

concessions. One example is the tax treatment of certain expenses. For business reasons it is desirable to take account of all the costs incurred in generating revenue. However, some expenses may not be allowable for tax purposes. For instance, the cost of entertaining customers and the cost of gifts, unless it is a modest amount and for the purposes of advertising, are not allowed for tax purposes. The main reason seems to have been to prevent extravagance and tax avoidance.

International Perspective: IFRS and their compatibility with Tax Reporting

It has been argued that globalization of accounting standards is the cue to disassociate tax and accounting (Freedman, 2004, p.72). It is unlikely that governments will want to hand over control of their tax base to the IASB (Knott and Rosenfeld, 2003). The theory behind international accounting standards and particularly its emphasis on fair value accounting, is departing from the central principles that have always been thought of as suitable for taxation purposes in the past (for example, the traditional concept of realization, Wilson 2001).

In the UK, the issue of using accounting principles in determining tax liability has been the subject of considerable discussion, (Freedman (1993, 1995 and 2004). Normally accounting practice is the starting point in calculating taxable income and will generally prevail unless it is modified by specific tax law. There is a judicial view that the courts in the UK retain the right to modify the figures generated by accepted accounting practice. Although there have been some attempts by the Inland Revenue to do so, recent cases seem to indicate a trend confirming the importance of commercial accounts as the basis of tax calculations. In *Gallagher v. Jones* (1993) STC 537 at 555-556, Sir Thomas Bingham stated: *'I find it hard to understand how any judge-made rule could override the application of a generally accepted rule of accountancy which (a) applied to the situation in question (b) is not one of two or more rules applicable to the situation and (c) was not shown to be inconsistent with the true facts*

or otherwise inapt to determine the true profits or losses of the business.'

The courts in the UK are not necessarily bound by accounting practices as made clear by Lord Denning in *Heather v. P.E. Consulting Group Ltd* (1972) 48 TC 293 at 32:

'the courts have always been assisted greatly by the evidence of accountants. Their practice should be given due weight; but the courts have never regarded themselves as being bound by it. It would be wrong to do so. The question of which is capital and which is revenue is a question of law for the courts. They are not to be deflected from their true course by the

“ Notwithstanding the options chosen by FIRS, that is, independent, dependent or semi-dependent, there are likely to be transitional issues. It is necessary to ensure that the taxpayer does not incur losses or expenses, such as general bad debt provisions, which become specific impairment losses under IAS 39, which would otherwise be deductible for taxation purposes, failing to be non-deductible as a result of the transition. ”

evidence of accountants, however eminent'.

In most jurisdictions, financial accounts are a starting point when drawing up the tax accounts. Hoogendoorn(1996) reported a clear development towards more independence between accounting and taxation, especially in Scandinavian and Eastern European countries.

In the US, there is a residual rule that the commercial accounts will be followed if there is not a rule of some kind to the contrary, Sometimes, the modifying rule has to be statutory but can also arise from the case law.

In the UK, the starting point is the generally accepted accounting practice, which includes the IFRS, where these standards are being applied¹.

Note:1
Section 42 Finance Act 1998 as amended by Section 103 (5) 2002 Finance Act, Section 50 of the Finance Act 2004 and Section 25 of the Income Tax (Trading and Other Income) Act 2005.

There are, however, various statutory modifications. These range from fundamental differences in regime, as in the areas of depreciation and capital gains, to adjustments, as in the areas of financial instruments taxation or finance leasing. The UK Government (2004) when considering whether further departures from, or alignment with, commercial accounts are required when International Accounting Standards come into force has defined 11 categories in which departures from accounting may be permitted. They are: public policy, transfer pricing, structural issues, avoidance, tax neutrality, capital/revenue divide, fiscal incentives, symmetry, realisability and tax capacity, whether the commercial accounts are a 'true reflection' and a miscellaneous residual category.

Options open to FIRS

The foregoing discussions illustrate clear discrepancies between IFRS-based accounts for taxation purposes. This state of affairs renders IFRS-induced financial statements inappropriate for FIRS. The questions are then the options available to tax authorities and in particular, the FIRS for a fair tax system.

In general, there are three likely options – independent, dependent and semi-dependent approaches. Under the independent approach, the measurement of a company's taxable liability would be based in accordance with a specified set of tax rules and would not have bearing on IFRS-based financial statements. In this regard, a company would prepare an entirely set of accounts for tax purposes, which would form the basis of its measure of taxable liabilities. This tax-based account could continue to be prepared

under the existing generally accepted accounting principles, GAAP, which in the past have been the basis of tax imposition by the tax authority. This approach offers the advantage of continuity and comparability of tax liabilities over time and gives the tax authorities full control over tax policy and measure of tax liability. Another advantage of the independent approach is the avoidance of the necessity of amending existing tax rules to be in line with IFRS and the potential tax mismatch and cash tax volatility issues arising as a result of IFRS adoption.

Notwithstanding the highlighted benefits of the independent approach, it carries the added burden of maintenance of two sets of books – one for financial reporting for tax purposes – which would give rise to compliance cost to taxpayers in terms of time spent and system changes. This approach would give rise in more material deferred tax items being reflected in the company's financial statements.

The second option, dependent approach, implies that the measure of a company's taxable liabilities would be computed in accordance with its financial accounts. This means the complete adoption of IFRS for the purposes of legal entity financial statements. The advantage of the option is the uniformity of a single set of accounts for both accounting and taxation purposes. The scenario may consequently reduce the incidence of deferred taxation. More importantly, the approach would avoid the need for taxation laws governing the measure of income as one set of rules would be prevalent.

However, the complete adoption of IFRS would give rise to the issues already discussed, notably the use of fair value and substance over form. In practice, this could lead to tax mismatches and increased cash tax volatility, which may be too high a price to pay for both the FIRS and the tax payer. In practice, most tax authorities are unlikely to be willing to surrender their tax policy-making power entirely to IASB as this may not be in the best interests of the country's taxpayers or tax authorities.

The third approach is the semi-dependent option. Under this method, IFRS-based accounts would be used as the initial point for computing taxable profits. This approach would allow specific departures under national laws where there are good policy reasons for the application, for example, in specific areas like tax depreciation allowances, allowances preventing tax avoidance and tax

mismatches.

This approach would allow a single set of accounts to be used for accounting and taxation purposes, although specified adjustments may be required for taxation purposes. It is possible under this approach to address the problem areas where there is a conflict between IFRS and national tax principles, such that tax mismatches and cash tax volatility can be reduced. The semi-dependent approach would allow national tax authorities retain control over tax policy matters. The major disadvantage of the semi-dependent approach is that it is likely to lead to more complex tax legislation. If the experience in the UK is anything to go by, the scale and complexity of the amendments required for national tax law to accommodate IFRS principles will entail time and resources. It is therefore questionable if the FIRS will allocate such time and resources in order to deliver a fair tax system. The importation of accounting principles into the tax legislation also means that, on a practical level, it is often necessary to understand the accounting treatment of an item before it is possible to determine the tax treatment. For professional tax consultants or advisers, it means mastering both the tax law and accounting principles, a very challenging task.

The Transition Period

Notwithstanding the options chosen by FIRS, that is, independent, dependent or semi-dependent, there are likely to be transitional issues. It is necessary to ensure that the taxpayer does not incur losses or expenses, such as general bad debt provisions, which become specific impairment losses under IAS 39, which would otherwise be deductible for taxation purposes, failing to be non-deductible as a result of the transition. From the FIRS perspective, it is also important to ensure that no profits or gains, for example, where an asset is accounted for on an accruals basis prior to transition, fall out of charge to tax over the transition date.

Conclusion

The relationship between accounting and taxation is an evolving one and more complex than first appears. In general there are sound reasons for accounting principles to form the basis for calculating tax liability and there is evidence that internationally there is a trend towards even greater reliance on commercial accounts for the

purposes of taxation. Full convergence of commercial and tax accounts is unlikely to be achieved and should not be aimed at. However, convergence with the adaptations to take account of necessary differences might seem to be a sensible compromise. There are options available to a tax authority in terms of IFRS implementation. Each of the options has its implications in terms of time, resources and implementations.

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Dr Ben Ukaegbu is a Lecturer at London Metropolitan University, United Kingdom.



CORRUPTION: Whistle-Blower Approach Is The First Step

It's easy to see that national development is one critical issue close to the heart of the 48th President of the Institute of Chartered Accountants of Nigeria (ICAN), Mr Adedoyin Idowu Owolabi, BSc (Econs.), MILR, MNIM, FCA. When The Nigerian Accountant team led by Dayo Ajigbotosho (The Editor), Muyiwa Dare and Sunkanmi Oloketuyi sat with him in his office after his investiture, he spoke extensively on the nation's dwindling economy, corruption, national development and the Accounting profession. Not only that, he demonstrated an awesome understanding of the history, operations and affiliations of ICAN. At the end, the highly vocal professional, lecturer, consultant and entrepreneur rolled out suggestions on how to move Nigeria forward economically. One such suggestion which appears to be the ruling passion of his presidency is the whistle-blower approach to tackling corruption. Excerpts:

Q: We congratulate you on your election as the 48th President of ICAN. How has it been since your assumption of office?

A: Interesting but challenging. Interesting to the extent that having come a long way to this stage, I still discover that there are many more things to do. Let me say it is more and more challenging because of peoples' expectations from outside this room and I thank God we are forging ahead. On how I got here, of course, I have said it many times. One, through hard-work: two, by the grace of God.

There is a path which ICAN has not waived and which I'm sure ICAN is not ready to waive -- you must show enough interest in serving the Institute and such interest must be expressed in writing so that you commence your service by belonging to some of the Committees of Council.

Not only that, you must have shown interest in service by serving at the district level. ICAN operates on committees and districts basis. This is what I mean. The ICAN constituency all over the world has been broken down into 46 District Societies. These district

societies are appendages of ICAN that carry the Institute to our members, irrespective of their locations. It will be quite difficult to ask every member of ICAN to start coming to Idowu Taylor everyday to learn about the Institute. Yes, the world has become a global village, hence we have a website, but many members will not visit the website regularly and we have to cater for their needs. So, physically on geographical location basis, we must take ICAN to them, to their doorsteps and that is the purpose the district societies serve, not only in Nigeria but other countries because out of the 46 district societies, there is one in London, and one in the U.S.

Apart from visiting the website, apart from receiving mails and other correspondences from the Institute, every member in a particular geographical location not too far from the relevant district societies can belong to these district societies. They can interact and fellowship with one another. They can share their problems and they can know more about the Institute. That is the purpose of setting up the district societies. You must have shown enough interest at that level and at committee membership level. By then you can conveniently say that you are well known by your professional colleagues, hence, you can go in for Council election. If you are fortunate to be elected into the membership of the Council of the Institute, you will now realize that serving the district society is even a small thing. Serving on the Council of the Institute is bigger because for wanting to serve in the Council of the Institute, you must be prepared to serve in many committees. You must be prepared to sacrifice a lot for the Institute. The service we are talking of here does not have any form of remuneration. It does not carry any stipend. It's pure service. Unless you can really sacrifice pro-bono, you can't really belong.

Having done that for a long time -- it is not even a matter of two three years or seven, eight years, it is a matter of serving diligently for an average of thirteen to sixteen years. If there is no blemish in your character and you are deemed to be a hard worker and a man of integrity, then the Council may decide to elect you to the position of 2nd Deputy Vice President, which I passed through; and that means you are now part of the Presidency of ICAN. And again, it is just like comparing serving at district society level and at Committee level with serving at Council level. When you now serve at the Presidency level, you will discover that it is a different ball game because at that level, you will automatically find yourself in the midst of the top echelon of the Council that will be taking decisions. At that level, decision making becomes the main thing for you. Whatever the President has in mind, he shares with the other members of the Presidency. The Presidency for your information is made up of the 2nd Deputy Vice President, the 1st Deputy Vice President, the Vice President, President and the Immediate Past President. And when you become the 2nd Deputy Vice President, it implies you have signed off your time; that you are ready to serve the Institute for the next five years until you exit Council after serving as immediate Past President.

The Council has a number of specific roles that will be performed by each of the members of Presidency, depending on his experience, his ability and his availability to serve from time to time. By the grace of God, those levels I have passed through until I became the President. Let me mention this, because of the succession plan, though it has never happened: people always think that it is automatic for you to become ICAN President once you become the 2nd Deputy Vice President and I always tell them: No. I always tell them to just keep praying to God for good health, long life etc and that you are not found to be unfit either in terms of probity and accountability, soundness of mind or for whatever reason. If you are found guilty of any criminal offence, I don't see how you can progress either to become a 2nd Deputy Vice President or the President. If you are not found guilty of any offence, an election has to be conducted. A person may be the only candidate for that election in which case they are electing him unopposed. But at least, statutorily, that election must be conducted and it must be seen that your colleagues on the Council still find you to be a fit and

proper person to be the ICAN President, otherwise, nothing happens.

Q: When you became President, you definitely have some areas you want to concentrate on during your presidency. You had a focus or a pet project. What is it you consider so important that you want to pursue vigorously during your tenure?

A: Yes. I would say it is divided into two. First, continuation of those projects embarked upon by my predecessors in office which were not fully implemented but which are on-going. It is my intention to conclude them. Secondly, the new projects being introduced, and these include the formation of a Forum of Vice-Chancellors and a Forum of Rectors of Polytechnics. These two are not too difficult. We have been talking to them and it's a matter of bringing them together, inaugurating these fora and giving them their terms of reference.

But the one we need to really work on, and which we have already started, is the promotion of the whistle blower bill. Like I normally say, all over the world, unfortunately, the way people look down on Nigeria when it comes to the issue of corruption, speaks volumes of our character as a nation. It is as if all over the world, only Nigerians are corrupt. My reaction is: No. It is not only Nigerians that are corrupt. And let's be realistic, if some of these western countries, Europe and America are not aiding and abetting them, Nigerians or Nigeria would not be this corrupt. As Walter Carington former United States Ambassador to Nigeria said, "for every bribe giver, there must be a bribe taker." So, for every corrupt Nigeria, particularly when it comes to corruption outside the shores of Nigeria, there must be somebody there that is also benefitting. So, you can imagine a situation where that somebody comes from a western country. So they are not saints and we are not. In actual fact, I will say we even have some Nigerians that are more saintly than our accusers.

However, we know that corruption has eaten deep into our system at all levels and unfortunately even at children's level. It is as bad as that. Why and how did we get into this? There are various reasons. Some do not know any other system or way than to be corrupt. It is part of them. Some don't want to be corrupt but because they believe the larger society is like that, they want to dance along with them. Some for one reason or the other don't even want to get involved but unfortunately, when they think of the bread and butter their job is bringing to their dining table at home, at best, they would rather keep quiet; they don't want to talk about it. And if you ask them, they will say: leave me alone, I don't want them to know that I said anything. They are quiet over it, because if they talk, they may lose their source of livelihood. That is the bitter truth.

Apart from that, there are so many professionals in practice either in the Accountancy profession or others that should have spoken boldly against certain practices to their clients, especially when those clients are powerful. But they are also afraid to lose their professional fees. They probably look elsewhere and think corrupt practices should be swept under the carpet. But the Institute is of the opinion that if we are able to protect this last category of Nigerians and they are able to talk without losing their jobs and their lives, it will definitely encourage Nigerians from other classes to be bold enough to say no to corruption. That Bill is not just to encourage them to say no to corruption, it is going to suggest some penalties that be meted out to corrupt members of the society.

It is a very long journey to eradicate corruption from our system and society. But the journey of a thousand miles must begin with a step. So, we are of the opinion that ICAN should assist the government by taking this first step. Once we are able to embolden enough Nigerians to kick against corruption, you will discover that it is a big sin to be corrupt in Nigeria.

I will be too grateful if for one reason or the other, that pet project that we have started working on, is completed within my presidential year. But if it is not, it will become another project for ICAN to be carried to another presidential year until it is concluded. You will agree with me that ICAN cannot sit down and pass this Bill to law. It is a Bill that must go to National Assembly and when it gets to National Assembly, there are procedures to be followed to pass that Bill into law.

Q: One thing about corruption in this country is that when it comes to the point of meting out punishment, quite a number

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of powerful people often get away with murder in Nigeria. Is there anything you think can be done in this regard because this is one of the criticisms the Nigerian leadership has been pelted with over time – not having the will to implement punishments where sacred cows are involved. What solution do you proffer to this?

A: Well, it is rather unfortunate that in Nigeria we pay a lot of lip service to the rule of law in the sense that we talk about it in all sectors of the society, but we do not bring all Nigerians under the rule of law. As much as possible, ICAN will encourage the government to ensure that the citizenry is brought under the rule of law. Also, we should be mindful of one thing, when you have sacred cows in any society, that society cannot progress. You've said it all about the influential people, but who are these influential people? Are they not Nigerians? If rules are put in place and we allow the judiciary to do its work without being influenced, definitely, these rules will work. One risk we run in Nigeria that has inherent dangers staring us in the face is that when you put a rule in place and you do not allow that rule to work, that rule amounts to no rule. So, all these laws that were not allowed to work amount to no laws. Until the federal government decides to be honest and truthful enough to ensure that these rules work, we stand the risk of every rule being bastardized. If we are able to put in place enough checks and balances in our system, and nobody tries to influence anything, definitely, the laws will work.

Q: We also notice that you have a theme for this presidential year which is: “Building a solid structure on a solid foundation”. Would you want to clarify further what you mean by that?

A: There is no builder that erects a building without ensuring that the foundation is good enough, not only to carry the building but also to continue carrying it. Let me give you an example. When you go to the hinterland where the land is solid, you will agree with me that a lot of buildings being erected would go with the normal foundation. But if, all of a sudden, you see a man coming with lots of equipment

and pile-driving, you will ask him, what type of structure are you trying to put in place that you are pile-driving.

Historically, ICAN came into existence through the Law of Parliament in September 1965. The founding fathers of ICAN have been magnanimous enough to have founded an Institute that would outlive them. Lots of our founding fathers have since died. They put in place a structure to ensure ICAN cannot die. They did not put in place a structure that will serve their own selfish reasons only. It is like for the first time, we saw a group of black men that behaved like



the Unilever family, the Volvo family and many other families that found the multinationals we all dance around today. They founded ICAN, they put it in place and ensured that it worked in their time and it was likely to work for generations coming behind them and I must confess it has been working. So, we've had 47 Presidents sit in the Chair of ICAN as Chairman of Council. To my mind, it was more difficult then 47 years ago. That's a long time ago and we have been doing so well. If a baby born that time got married early enough, that person must have been a grandparent by now. ICAN has really come of age with generations of accountants passing through. I said generations of Accountants... it might interest you that along the line, even some non-Nigerians, foreigners embraced the ICAN vision. They were either members of ICAN that have passed unto glory or those living and are still members of ICAN.

Apart from that, the small baby born 47 years ago has belonged to a number of international organizations. ICAN was a foundation member of the International Federation of Accountants (IFAC) and this is the body that regulates accountancy profession worldwide. It has over 120 member nations all over the world. ICAN is a foundation member of the Association of Accountancy Bodies in West Africa (ABWA). ICAN is a foundation member of Pan African Federation of Accountants (PAFA), which takes care of the interests of Chartered Accountants all over the African continent. But it does not stop there. There are some United Nations bodies like UNCTAD and so on and so forth. When they discuss financial matters, accounting matters, auditing matters, taxation and other matters that relate with the ancillary functions of a Chartered Accountant, ICAN is never left out. If you look around, you will discover that not only locally in Nigeria have we been asked in the past or are we being asked to mentor other bodies to belong to this international association. We've been asked and we are still being asked to mentor bodies all over Africa to belong to these international associations. The World Bank picked ICAN and one other IFAC member to start promoting accountancy education in Africa and so on and so forth. If we start discussing the international links of ICAN, we may not leave here today. Maybe we should leave that for

another day or another interview entirely. We felt that if these old men that we call our founding fathers never laid a solid foundation for ICAN, it wouldn't have been reckoned with all over the world the way it is reckoned with today. We all told ourselves that, let's be realistic, we have a solid foundation all along, then what kind of structure do we want to put on this foundation? Of course, it must be a solid structure. The man in the hinterland that is pile-driving is not wasting his time and money by stock piling for a one-storey building, two-storey building, ten-storey building. He is pile-driving for a foundation that will be good enough to take about 100 storey building. If the foundation is not solid enough, it will not take that kind of building.

Now that we are approaching our golden age, we must begin to build a solid structure with the brand name of ICAN that will surpass any other structure of the accountancy and finance world. That's where we are going.

Our Lord Jesus Christ said to Peter: "on this rock I will build my church...", that is, on the structure that he had groomed up to that point, on the foundation that he had laid for his disciples to be able to run the Christendom in the future. He said on the solid rock he would build his Church. That was over 2000 years. We are all witnesses to what Christianity has become today, the way it evolved over the past over 2000 years. We have all seen it. We have all read the history. That is the kind of structure we want to put in place for thousands of years to come. Definitely, those years will not meet us in office, it will not even meet us in this world, but people would say, thank God they were there at the appropriate time, hence that theme for this presidential year. We want to use it as a pivot to get into our golden age. ICAN is 48 years now and we have started preparing for our 50th anniversary. We want to use that theme to propel us into our 50th anniversary.

Q: We would want you to say some specific things about the solid structure you want to build this presidential year. Apart from the whistle-blower bill you mentioned, are there other specific things? We also noticed that you said you would work closely with the government. How close do you want to get to



government? Is it going to be a case of just supporting government without being able to say what government is doing wrong?

A: Thank you very much. If I say we are going to work more closely with government, it means the Institute has already been partnering with the government. It has been assisting in budget matters; it has been assisting in being advisors to government on

matters relating to the economy. A lot of our members are out there serving the government. They fall back on the Institute to seek professional advice from time to time.

But now, what we are saying is that we want to build a better relationship with the government, a better relationship to the extent that we do not lose our identity as a professional Institute that can act in advisory capacity to government. Once you lose that identity, you are part of them -- whatever they do. But if you don't lose that identity, you still have the power, the right, the desire, the ability to shout, to scream out and the whole world will listen to you and eventually say that 'you said it but government never listened' or that 'you advised and government was wise to take to advice'. So, we are putting in place a more virile Inter-Governmental Relations Committee to work with the federal government, to work with the National Assembly. In the past we were using our members who are in politics, who are in the Assembly but they never had time. In fact they were not meeting regularly. This time around, we have said our strategy would be to use members who have time, either as retired top Civil Servants that know the workings of government or members who are in politics but have not reached the very top, and know the workings of the various political parties, either in or out of the Assembly or the Senate. If we use such members such as those I just mentioned, there is the likelihood that they would be holding meetings. There is the likelihood that when their peers or colleagues start to complain about government pronouncements, it is this committee that would now take time to fashion out responses to these comments and cries, proffer solutions, and go on to government either through the relevant politicians, through the National Assembly, through the Senate, even state Assemblies and make suggestions to them. We must not throw out the fact that ICAN is a subset of the Nigerian society. So, with 35,000-strong members Institute, it's part of Nigeria. If they are able to go to government and say look, this is what Nigerians feel, it will not be out of place and we will not be talking on behalf of ICAN members only.

In actual fact, such ICAN members could have listened to other members of the society or other members of the society could have come to ICAN directly. You can take for example what we did during the oil subsidy withdrawal, when President Goodluck Jonathan came out and said 100 per cent removal of subsidy! I must give kudos to the Nigerian society and I must give kudos to the federal government. For the first time in Nigeria, we witnessed peaceful demonstrations, with police just hanging on to ensure there was peace. People were allowed to speak out their minds. Various

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...when you have sacred cows
in any society, that society
cannot progress.
”

bodies came out to speak their minds. ICAN made the public to realize that as a responsible professional body, we would live up to the expectation of a responsible corporate citizen. We would not just go out to start criticizing the government just because it seemed to have become fashionable. One or two days after the whole thing started, we were able to bring out sufficient thoughts, sufficient suggestions in black and white which we released to the public and made sure it was sent to the federal government of Nigeria. If you had listened to his broadcast in resolving the matter then, you would have noticed he picked one or two of our points to enable the nation avert a very explosive situation. This is what we intend to do more often now. We shall continue to give advice on budget matters, financial matters, on economic issues, etc.

But above all, we now intend to be carrying the feelings of Nigerians to government. A lot of Nigerian groups are not as organized as ICAN. So we believe that when there is credibility in what Nigerians are saying and ICAN decides to represent them by taking it to the government because whatever we do we affect the economy and accountancy is an integral part of the economy, Government is likely to listen more to ICAN than a group of 100, 500, 1000 Nigerians carrying placards and protesting in front of the National Assembly!

“
Until the federal government decides to be honest and truthful enough to ensure that these rules work, we stand the risk of every rule being bastardized.
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Q: Indeed ICAN has been advising government on economic and financial issues. Apart from the recent one on the fuel subsidy removal that government took one or two points from, would you say you are satisfied with government's response to ICAN's advice over time?

A: My answer is that of dissatisfaction. The saving grace for ICAN has been, most times when we go out to organize these things, they are made public events. The whole public will know that ICAN is at it again. Either as an Institute or jointly with another Institute, they will say, ICAN is doing something. And normally we issue a communiqué at the end of each event.

But at this juncture, I have to note the attitude of the leadership of Nigeria in the past to some of these things as summed up in what a former President of Nigeria said: "You may be my adviser. One thing for you is to advise me, another thing for me is to take your advice and implement it". So, a responsible corporate citizen, a professional body well recognized all over the world would come out most times to advise government and, for political reasons, the government will say thank you, we shall look into it and that is the end of it! We want to make sure that the government becomes more responsive and we are appealing to the government not only to listen more but to sift out the salient points that will benefit the generality of Nigerians for implementation.

Q: Recently, cashless economy was introduced by the Central Bank of Nigeria (CBN) and Lagos was used for the pilot scheme. As an Economist and Chartered Accountant, what is your assessment of the scheme?

A: The day I first heard about cashless economy in Nigeria, I had a good laugh and people said, as a digital man, do I want to be thinking like an analogue man. I said, no. it's a welcome development. It is good. It will reduce bribery and corruption and physical carrying of cash. There were certain things put in place before the idea of cashless economy came into focus. For example, how much an individual can withdraw, how much a corporate organization can withdraw, how much foreign exchange you can carry abroad and so on and so forth. These are all monetary policies that Central Bank of Nigeria wanted to ensure would work.

However, the most important thing, the most important

foundation they should have laid for the cashless society did not work and is still not working. A cashless society that we have seen in developed nations, a cashless society that we have seen to some extent in Nigeria, is based on Information Technology. For a policy that is going to be IT-driven, then the energy problem must be



solved. Energy problem in Nigeria has become a monster. As we are sitting down here, I can conveniently tell you that we are running this programme on generator. We will leave office in the evening, we are not sure whether there will be light when we get home. In actual fact, when we were much younger, what we learnt was that electricity from generator was an alternative source of power. But nowadays, out of the twenty four hours in a day, generator runs between eighteen and twenty hours. Which one is now the alternative source of power? The generating set or PHCN?

We are all jubilating today that Lagos streets are well lit and that this would improve night life in Lagos and improve the economy of Lagos state. But go out in the night to the places where we have such lights, you will discover they are run on generating sets. When GSM came into being, every mast erected was being run on generating set. So, what are we saying? If there is no power, which market place, supermarket and various establishments will be able to run generator as much as ICAN as an Institute will run, or like UAC, Cadbury etc would run? Obviously they cannot afford to run generator as much as that. Definitely the project will not work. Your credit or debit card would not be properly read in the machines. At the end of the day, money cannot be transferred. We still have a lot of work to do on the energy sector before all other sectors can work. Countries where similar things have been done successfully, they do not have energy crisis as Nigeria is having. Sincerely speaking, if I should talk like an Economist and a Chartered accountant, I am yet to believe that our cashless economy will be effective.

Q: Recently, precisely January this year, Nigeria adopted the International Financial Reporting Standard (IFRS). So far, how has it been?

A: IFRS is a wonderful thing. In a race that concerns everybody, even if you are coming last, it is commendable that at least you are not standing still. An athlete would not want to be left at the starting point when others are breasting the tape. Every athlete must run the race and of course, one must come first, while somebody must come last. I don't think that Nigeria is embracing IFRS late. Even some states in the United States of America are yet to embrace it for

reasons best known to them. It has been wonderful, wonderful in the sense that some of our regulators in this country woke up to start planning towards it. Some Institutes, especially ICAN woke up on time and started planning towards it. And sincerely speaking, I actually wondered whether these were Nigerians, actually planning. It's a wonderful experience. Apart from that, we discovered that for companies quoted on the stock exchange of Nigeria, the Central Bank of Nigeria was very specific: January 1, 2012 and other aspects of the roadmap are being followed to the letter. So, Nigeria is not going to be left standing still in the IFRS scheme.

Secondly, IFRS itself is a dynamic field. It keeps evolving almost on a daily basis. It is not something rigid stagnant. There have been reasons to make amendments in the recent past and relevant standards are being amended accordingly. So, IFRS is not a question of what the statement said and that is the end of the matter. Personally I have been to a lot of international fora discussing IFRS and it's amazing when you witness participants from Europe, from some areas in America, from the far East, discussing that they have proposed one or two amendments based on their own experiences to the IFRS foundation. Some were discussing that the IFRS foundation has just obliged them to alter the following things and so on. The important thing about IFRS is that it made financial reporting to be more standard and more uniform all over the world. So, we are not going to be left standing still.

Q: What are the specific steps ICAN has taken to prepare and encourage its members on the adoption of IFRS?

A: Long before now, ICAN has embarked on a lot of enlightenment programmes, a lot of training programmes, not only for its members but for the society. After training its members, such members are passing the skills to their clients' staff. So, in a way, they are helping the larger society, not only to be aware of IFRS but to be well grounded in it.

Q: ICAN is mentoring ANAN to become a member of IFAC. What is now the relationship between the two bodies?

A: The relationship is cordial. We must distinguish between professional roles of ICAN and political roles of ICAN. We were not



just quarrelling with ANAN. We have stated to the whole world why we were quarrelling with ANAN. ANAN has applied to IFAC and IFAC will not just admit you as a member body. It asks another member body, preferably the one existing in your country if there is anyone, to sponsor you. They want you to be a 'born again' professional body when you are coming to IFAC. That is just the whole idea of

mentoring and sponsoring. So, ANAN approached ICAN.

The important things are: a professional body somewhere in the world applied to

IFAC. Secondly, before that professional body can be brought in as a member of IFAC, it must be sponsored by another member of IFAC and mentored by another member or the same member sponsoring. So, we took it up and I'm happy that the result we have so far is going to be pleasant to both ICAN, ANAN and most pleasant to Nigeria as a whole, because when we did it, a lot of people commended the efforts of the two bodies. So the relationship between us is very cordial. They do visit us from time to time and we do visit them. In actual fact, we have even gone on an inspection of their Accountancy school based in Jos. We are working together towards their membership of IFAC.

Of recent they were admitted a member body of the Pan-African Federation of Accountants (PAFA). Of course we did the same assignment for PAFA. The Association of Accountancy Bodies in West Africa is seriously considering their admission into its membership. We are also assisting on that. Like the old adage says, the sky is big and wide enough for all the birds of the heaven to fly without jamming into one another.

Q: Sir, would you say the same thing about the relationship with CITN?

A: Yes. I will say the same thing of CITN. The amendment of the Federal Inland Revenue Service Act in actual fact specifically spelled out the categories of professionals that can work as tax consultants and administrators and they listed Chartered Accountants, they listed Chartered Tax practitioners, they listed Lawyers and so many others. So, why are we fighting?

Q: Whatever happens in the country affects Chartered Accountants as well. Over a period of time now, the country has been battling with violence and insecurity and series of calamities and disasters all over the place. What in your view should the government do to contain these problems?

A: It is really unfortunate for a nation, a people that have co-existed for so many centuries from the days of Mali, Songhai empires, Oyo empire etc in the geographical area we started calling Nigeria since 1914. We have co-existed in spite of our cultural and religious differences in a most peaceful manner. All of a sudden, we just discovered that things disintegrated. It is quite unfortunate that

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most of these problems arose as a result of political differences, making Nigerians identify clearly their tribes, which section of the nation they come from, making them to become so sentimental about the various religions they practice in spite of the fact that the two major religions known in Nigeria preach the gospel of peace. Lamentably, these political differences make them shed blood today to defend whatever positions they hold on religious matters. We shed blood when we talk of tribes, we shed blood when we talk

of anything in Nigeria. It is quite unfortunate that the political terrain has enabled our dear country to disintegrate to this sordid level. But we thank God that in spite of these differences and in spite of the fact that a lot of people said maybe disintegration is the best option for the country this time around, God still kept us together in our large number as a nation. Even with that population and wide geographical coverage, God blessed us with so many natural resources. If only the political leadership of this country would be responsible enough to tap these resources and focus more on its usage to develop the nation now called Nigeria, then we would all be better off.

But instead of doing that, all we hear is money laundering, all



forms of corruption. In appealing to government from time to time, we must realize that they were put there to serve and not to suppress or oppress Nigerians. We've been appealing to the generality of Nigerians that just like some developed nations, we must learn as followership and pray fervently for our leaders not to mislead us. Nigeria is one of the few nations of the world where you see citizens curse the leadership of the nation. In other nations, the followership prays for the leadership and I believe God answers prayers. If you curse them, that means you don't want anything good for your nation and God will be looking at you. Pray for them and God will hearken to your voice. The Israelites did it in the past, the Jews all over the world still do it till today. That's why they are one of the most powerful tribes we have all over the world. The English people do it. In fact, if you go through the English national anthem, the first stanza prays for the Queen of England. The Americans do it. It is permanently in their motto "In God we Trust". I remember a long time ago, when Russia as it was then constituted won the junior world cup, people wondered that a nation like Nigeria that would pray in the football camp, that would pray on the football pitch could not win the world cup. But everything could be summed up in what some people say about Nigeria and Nigerians today: Nigeria, they say, is a nation that has the largest number of ecclesiastical institutions as mosques and churches, yet our minds are so far away from the almighty God we claim to be serving.

So, right from the political class through the bottom of the followership, we have to wake up and be more responsible, be more responsive and above all believe more in our nation Nigeria. It is when we believe in our nation Nigeria that we can serve it successfully.

Q: The recent Dana plane crash was so pathetic: ICAN also lost about nine people in the accident. What do you

think government should do to forestall future occurrence?

A: Let me tell you: one, the calamity that befell us from that recent plane crash and other calamities that befell this country before that one could not be divorced from the corruption in the country. How many Nigerians knew that the insurance of that Dana plane was not up to date until that crash occurred and it came to the time to claim insurance? Nobody knew. And we were all flying Dana like all other airlines. Nobody has made any pronouncement that other airlines should be grounded apart from Air Nigeria and Dana. But quietly because of the fear of being discovered, there are some other airlines that have since stopped their operations. Must we wait for disastrous situations to happen before we do the right thing which is commonplace in other climes? I'm asking you, how many Nigerians ever knew that some of these aircrafts were no more serviceable? Yes we knew they were "tokunbo" (second-hand) aircraft used abroad and

“...a cashless society that we have seen to some extent in Nigeria, is based on Information Technology. For a policy that is going to be IT-driven, then the energy problem must be solved. Energy problem in Nigeria has become a monster.”

refurbished before bringing them to Nigeria, but we never knew they were that bad until when disaster started to happen. My suggestion is this and we should all be ready to make it effective: We should stop keeping quiet, even if you are working for these people as an employee. Remember our proposed whistle-blower Act. You must be able to talk out one day. When Dana crash occurred, their staff started talking -- off record, names withheld! They said they had complained that that particular plane was faulty and should not be allowed to fly. That is medicine after death. The government should be responsible enough through the aviation industry. When it is time for an aircraft to be sent for service, it goes. And it should be made to undergo the relevant level of service. There must be a certificate to that effect. Sincerely speaking, I will not say it was Dana airline that destroyed Nigerians, it was the federal government! If the federal government had done its job, that particular aircraft shouldn't have been flown. But because somebody somewhere or some officers refused to perform their duties. The bad aircraft was allowed to fly until it could not fly again and when it couldn't fly again, it came down and crashed with the people inside. It's rather unfortunate.

Q: There is the issue of subsidy probe and the involvement of one of the big accounting firms: how far has ICAN gone with the investigation?

A: Let me say this: the disciplinary procedure of ICAN permits us to investigate cases reported to us specifically. Just like some few cases in the past, this case was never reported to ICAN. We read of this case on the pages of newspaper. But as a professional institute that is responsible and that regulates the activities of its members, we have since invited both the individuals involved and their professional firms. We are talking to them, we are investigating them and we are very happy on the discovery we have made so far. I don't want to divulge so much information about the progress yet because I don't want anything that would preempt the outcome of the investigation. One major thing I can assure you about is that at the tail end of it, when we publish whatever we might have discovered to the public, all Nigerians would be very happy with whatever we come up with.

Q: As an Ekiti man born and bred in Lagos, how was your growing up like?

A: As an Ekiti man born and bred in Lagos, my growing up was very rascally interesting. Each time relations came to visit us, our family house in Oyingbo was like Ayede-Ekiti in Lagos. Everybody coming to Lagos from areas like Ayede, Ikole, Oye, Itapa etc would just be sent to my parents. And at times, all of us, my immediate senior, my twin sisters, the one before them and myself would go round the compound or to our rooms and we would start mimicking these people. Even when we were allowed to go out of the compound to play with friends, we would gist our friends about strangers coming to our house, wearing this and not wearing that and so on and so forth.

Those of us who grew up in Lagos didn't know any Nigerian tribe. We didn't know of any other religion apart from Christianity and Islam. On the tribal issue, we didn't give a damn where anybody came from. We didn't know who came from Ekiti, who came from Abeokuta, Ijebu, Ondo, Kano, Kaduna or anywhere. We were all speaking Yoruba. We all stayed together. We all played together. We grew together. We were highly detribalized. On the religious front, we discovered that during each Christian festival, we all celebrated together. A lot of our friends would come to our house, particularly during Christmas and Easter. They would eat with us, play with us. We all had parties together. During Muslim festivities, we would also be together. What they call fuji music today emanated from 'Were' songs they sang to wake Muslims up during Ramadan fasting period. Whenever they were singing the song to wake Muslims up, all of us would also wake up. We found it so interesting then. But just like what we are saying about the leadership of the country, the leadership of Nigeria threw everything into the wind.

Q: How did you get into Accountancy profession?

A: My coming into accountancy is also very interesting. I was a science based student and one that believed and so much loved numerate subjects. I gained admission into the university to read biological sciences, initially believing to change over to read medicine. But interestingly, due to one reason or the other, one of my brothers was at Yaba College of Technology reading accountancy up till HND level and passing his professional examination of ACIS, and I saw him as somebody who was much okay. Apart from that, we have some family friends like ICAN Past Presidents Balogun Omidiora and Kola Bajomo, always coming around to see our parents. I so much admired them. I then became interested in either becoming a Doctor or a Chartered Accountant.

So when I got into Ife, I discovered that I was a playful student, playful in the sense that I was not in the habit of sitting down reading voluminous pages. I was one of the best science students at the Methodist Boys High School in my generation. So, I did not crash out of science, I did not leave the sciences because of failure. But I just realized that for these numerate subjects, I would just sit in class and listen carefully and the moment the teacher had taught us the basic principles very well, and had taught us how to apply them, especially those that hinged on formulae, I was very much at home with them. I now started to enjoy mathematics, Statistics etc. when I came into Ife through biological sciences, and when it came to changing my course, medicine accepted me, but the faculty of science was not ready to release me. They said they couldn't be releasing their best students for medicine, pharmacy and engineering. I said okay, let me go on. I just had a brain wave. I was passing but I was not enjoying what I was doing. I then walked up to my elder brother who was then working in the bursary department of University of Ife and said I wanted to change to Economics. He asked if I had thought it over and I said yes. I said I would read Economics and

specialize in Accounting and go to write my professional examinations.

The pattern in my family was this: you would be counseled but you would not be forced to do what you didn't want. He sat me down and counseled me. He said I should tell them at home if that was what I wanted to do, because ~it is a good profession and it's your life~. Something interesting happened thereafter. I got into Economics. The following year, in preparation for the take off of a full-fledged department of Accountancy in the Faculty of Administration, I stopped specialization in Accounting in the department of Economics. This implies that those of us who are to graduate after that year with BSc Economics with specialization in Accounting would not enjoy exemptions from ICAN. When I heard that, you could imagine how sorrowful I became. I went back to my elder brother and he said if it would take you a million year to become a Chartered Accountant since you are interested in it, stick to it.

I had a friend, an old friend of mine, who had finished his OND in Accounting from Yaba College of Technology and was doing his industrial attachment, Fola Adeola. We met and he had started writing his ACCA from Yaba Tech then and we were discussing. When I told him what the problem was, he said well, if it was going to take ten years to become a Chartered Accountant, he was going to achieve it. And I said to myself, this is somebody in my generation having the same idea which my brother was trying to sell to me. I decided to ponder over it and said I would have my first degree in Economics and would go on to do Accountancy.

I must also thank God for one of my Lecturers then, late Mr Edward Ayoola. He was the third or fourth Chartered Accountant to qualify in Africa. He was an Associate Professor at the University of Ife then. He was very close to my father-in-law, Michael Omolayole. You know I got married to a family friend, my childhood friend. Mr. Ayoola called me one day and said: if you eventually get married to Michael's daughter, he will be proud of you if after finishing your Economics, you go ahead to write your professional examination in Accountancy. He said even if I wanted to do Masters, I must first become a Chartered Accountant which I set out to be. Succinctly, he said to me: mind you, with your BSc Economics and your ACA, you will always be in the crème of the society. He was my Lecturer. He was not obliged to encourage me but he felt that some of us who were young men should be properly guided. And he brought back the picture of Balogun Omidiora and some other people that I used to see walking in and out of our house for one reason or the other, smartly dressed, so forward looking in life etc. I just said to myself, I must be someone like that. That was it. I thank God that I took that decision.

Q: Finally, you work hard, you are an ardent Golfer, how do you relax? Is Golf the only game you play?

A: No. I play virtually all games but I play golf more often these days. Fortunately, the game I play most now, golf: takes about four to five and a half hours to play a round of golf. After which you are expected to sit down relax with whoever you have played with and continue to discuss business which you might have been discussing while playing the game. That's one.

Two, I'm a member of a number of family clubs, I'm a member of Ikoyi club 1998, Lagos club, Ikeja Golf club, Lagos Country club and as a social scientist, you see, wherever you have two, three or more people coming together for the same purpose they form part of that society, they socialize together. So I socialize a lot and it might interest you to know, without any regret and without mincing words, I do club a lot but I'll only do it when there is chance for it. I don't play too much but when there is time for it, I do. Anyone who works so hard surely has the right to enjoy.

**THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
MAY 2012 LIST OF PRIZE WINNERS**

Merit Prizes

LEVEL	FIRST	SECOND	THIRD
Foundation	20121/000599/F/A 179501	20121/000457/F/A 176575	20121/000811/F/A 176996
Intermediate	20121/100866/P/A 173314	20121/101367/P/A 172451	20121/101621/P/A 173911
P.E. I	20121/201621/Q/A 177239	NIL	NIL
P.E. II	20121/301299/V/A 173431	20121/302044/V/A 173183	NIL

Subject Prizes:

SUBJECT	PRIZE DONOR	WINNER
<u>FOUNDATION</u>		
Fundamentals of Financial Accounting	Sir John A Balogun	20121/000811/F/A 176996
Corporate & Business Law	I. O. Sulaimon Princess A. A. Adeniran	20121/000811/F/A 176996
Economics & Business Environment	M. B. Taiwo J. A. Owoseni	20121/000599/F/A 179501
<u>INTERMEDIATE</u>		
Costing & Quantitative Techniques	Prof. M. A. Adeyemo M. Ayo Oni	20121/100866/P/A 173314
Taxation	Z O Ososanya	20121/100866/P/A 173314
Auditing & Assurance	N. L Westgarth	NIL
Bus. Comm. & Research Methodology	Sir Ike Nwokolo	20121/101211/P/A 172231
<u>P. E. I</u>		
Information Technology	Chief E. F. Oke	20121/208093/Q/A 171275
Management Accounting	G. J. Burk	NIL
Financial Accounting	S. B. Baylis-Smith	NIL
Advanced Audit & Assurance	J M T Morris & KPMG	NIL
<u>P. E. II</u>		
Public Sector Accounting & Finance	Balogun J. O. Omidiora	20121/302017/V/A 155771
Financial Reporting & Ethics	Arthur Young, Osindero & Moret	NIL
Strategic Financial Management	Bola Kuforiji-Olubi Elder M. E. Daniels	NIL
Advanced Taxation	Akintola Williams & Co. Olushola Adekanola	20121/301003/V/A 147735

Special Prizes:

- SWAN Prize for the best qualifying female candidate for the diet –20121/301408/V/A - 133282.
- Akintola Williams Deloitte and Touche Prize for the best qualifying candidate in a diet - 20121/302017/V/A - 155771.

QUESTION 1

CASE STUDY

Temilade Toyo Fabrication Limited is considering the establishment of a new production centre to manufacture a new product called "Glasson". For strategic reasons, the selling price would be set at N50 per unit. However, Temilade is uncertain about the scale of demand at that price. It is estimated that two states of demand are equally likely. State A represents relative failure in competing with established product, while State B represents relative success in that competition. Once the state has been identified, there remains some uncertainty about the actual level of demand because of uncertainty about general economic conditions.

State A		State B	
Volume per annum Units	Probability	Volume per annum Units	Probability
8,000	0.2	12,000	0.2
11,000	0.6	15,000	0.6
15,000	0.2	19,000	0.2

It would be possible to commission a market research survey to discover with certainty whether State A or State B prevails.

The manufacture of Glasson would require the purchase of a machine. Two models (Small and Big) are available; one which costs N400,000 and has a capacity of 12,000 units per annum and one which costs N600,000 and has a capacity of 20,000 units per annum. Both models would have operating life of five years and no scrap value at the end of that time. In addition to the costs of making the machine, the manufacture of Glasson would involve variable costs of N25 per unit and an increase of N100,000 per annum to the fixed cost of the firm.

The company's cost of capital is 15% per annum. Level of demand and prices and costs may be assumed to remain constant throughout the life of the machine. Sales and production costs are assumed to take place on the last day of each year.

Required:

- (a) Calculate the expected Net Present Value of purchasing each model of the machines. (14 marks)
- (b) Recommend which machine should be purchased assuming no market research is undertaken. (4 marks)
(Total 18 marks)

SOLUTION TO QUESTION 1

CASE STUDY

(a) Calculation of NPV of each Model

**(i) Small Machine (Capacity 12,000 units)
State A**

Expected annual sales in unit		
Possible Sales (unit)	Probability	Expected Units
8,000	0.2	1,600
11,000	0.6	6,600
12,000*	0.2	2,400
		10,600

*Computation to be restricted to machine maximum capacity i.e. 10,600 units hence Annual Net Cash Flow is N10,600xN25) - N100,000(FC) = N165,000

(ii) Small Machine (State B)

Since each of the possible sales demands is at least equal the maximum machine capacity, the maximum capacity prevails, hence

Expected Annual Sales in unit = 12,000x1 = 12,000 units
Annual Cash Flow = (12,000 x N25) - 100,000 = N200,000

Calculation of Net Present Value of Small Machine model

Yr	State A		State B			
	Cash Flow	DF	PV	Cash Flow	DF	PV
	N		N	N		N
0	(400,000)	1.00	(400,000)	(400,000)	1.00	(400,000)
1-5	165,000	3.352	553,080	200,000	3.352	670,400
	NPV		153,080			270,400
	Probability		0.50			0.50
	ENPV		76,540			135,200
	Total ENPV					N211,740

(iii) Big Machines (State A)

Sales (units)	Probabilities	Expected units
8,000	0.2	1,600
11,000	0.6	6,600
15,000	0.2	3,000
		11,200

Expected Annual Net Cash Flow (11,200 x N25) - N100,000 = N180,000

(iv) Big Machine (State B)

Sales (units)	Probabilities	Expected units
12,000	0.2	2,400
15,000	0.6	9,000
19,000	0.2	3,800
		15,200

Expected annual net cash flow (15,200xN25) - N100,000
= N280,000

Calculation of Net Present Value of Big Machine Model

Yr	State A			State B		
	Cash Flow N	DF	PV N	Cash Flow N	DF	PV N
0	(600,000)	1.00	(600,000)	(600,000)	1.00	(600,000)
1-5	180,000	3.352	603,360	280,000	3.352	938,560
	NPV		3,360			338,560
	Probability		0.50			0.50
	ENPV		1,680			169,280
	Total ENPV			N170,960		

(b) Recommendation

Without market research, the company should buy the small machine because its ENPV is more than that of the big machine at N211,740 against N170,960.

EXAMINERS' REPORT

The question tests candidates' understanding of investment appraisal under Risk and Uncertainty.

This is a compulsory question. Most of the candidates attempted it.

The performance was very poor as about 85% of the candidates scored less than 50% of the total marks awarded.

The common mistake made by the candidates was traced to non-adherence to the dictates of the question that specifically stated the maximum capacity of Big Machine (state B). Majority of the candidates failed to take this into consideration. They used the same volume of Big Machine (state A) to appraise the projects.

Candidates are advised to read questions very well and follow examiners' instructions before attempting questions.

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