# CHAPTER ONE

**INTRODUCTION**

# BACKGROUND OF STUDY

Before the “Structural Adjustment Programme (SAP)” can be clearly defined, one must have a better understanding of the situation into which it was introduced. At the conclusion of a Debate/Symposium on “Devaluation” held in 1982 at the Institute of International Affairs, the consensus emerged that the economic problem of Nigeria was structural.

The intention of SAP is to adjust the structure of the Nigerian economy, but what is the structure of the economy and why does it need adjustment? The relevant dictionary meaning of the word “structure” is “the arrangement or interrelation of all part of a whole”.

At the summary of overall economic level which the economist call “The macro level”, the structure f the economy is its composition as seen through the shares or proportion of the various component parts or economic aggregated, in the total sum of goods and services produced in a period usually a year.

Therefore, the structure of the economy is shown by the shares of the various economic sectors in the Gross Domestic Product (GDP).

Just like any other theory, accountants have discovered that they need to make certain assumption before they can prepare financial statements. These

assumptions, which underline the preparation of financial statements, are also known as principles, postulates, conventions, concepts, and standards etc. The originate from such concepts as entity, going-concern, periodicity realisation, matching, consistency and historical cost concept.

They have been described as the basic points of agreement upon which the preparation of financial statement are based. They act as filters in the process of preparing financial statement and therefore assist immensely in selecting data to be processed and also indicating the processing method and thereby affecting the final result.

Accounting Principles are usually rules and conventions, which have been adopted as a general guide to action by the accountancy profession. These principles are formulated in such a way that the practical details of accounting may differ greatly from one company to another. To ensure acceptance, an accounting principle must be useful in coping with a practical recording problem, it must be reasonably objective, that is, provide a similar answer in the hands of qualified practitioners, and it must be feasible, that is, it should not be expensive to apply.

# STATEMENT OF THE PROBLEMS

This research work tends to give an appraisal on the effect of the SAP on accounting principle. Exchange rate devaluation was considered a setback in the progress of the SAP. Therefore the under listed problem was discovered:

1. Over emphasis on the restoration of balance of payment
2. Undermine the economy and limit its role for socio-economic intervention through a fixation on deregulation, privatisation and instability of the economy in the name of “free market”
3. Exacerbate the disparities between rich the poor by facilitating income concentration by the wealthy and the exclusion of the poor from decisions and control over resources.
4. Lack of transparency, accountability and public participation in their design and implementation.
5. Make many necessities inaccessible to local people as currency devaluations drastically reduce buying power in local wages.

# OBJECTIVES OF THE STUDY

This study aims to find out the objectives which include;

1. To find out how adopting a more just and equitable approach to resolving the debt crisis can restore the balance of payment
2. To find out how to increase the role of socio-economic intervention through governmental control and stabilize the economy by eliminating free market trade through inflationary measures like naira devaluation.
3. To determine what causes inequality in the distribution of income between the classes of individuals and why the poor are excluded from resources control and decisions.
4. To find out why there is lack of transparency and accountability in SAP designs and implementations.
5. To evaluate on the inaccessible necessities of the rural migrants caused by currency devaluation which decreases the naira value?

# RESEARCH QUESTION

This research attempts to find answers to some nudging questions about the Structural Adjustment Programme on Accounting Principles. This is with the view at highlighting some silent reasons responsible for the ineffective and failing performance of SAP.

Some of the questions to which we seek answers without any form of prevarication include:

1. Has the Structural Adjustment Programme in commercial sectors improved accounting performance?
2. How does the Structural Adjustment Programme in accounting department of your company affect the profitability of financial report?
3. Is there any significant relationship between Structural Adjustment Programme and Second tier Foreign Exchange Market?
4. What are the peculiar problems faced by commercial sectors in implementing the schemes derived from its structural adjustment?
5. Does the Structural Adjustment Programme reduce the hardship of the common people.
6. What are the causes of lack of transparency, accountability and public participation in SAP designs and implementations?

# HYPOTHESES OF THE STUDY

Hypothesis is a proposition specifying some form of relationship between variables, it is merely and evidence for supporting or rejecting one‟s preconceived ideas or view. Hypothesis are of two types (H1) which is the alternative hypothesis and it the proposition the researcher which to confirm from the data. It is always expressed in positive term. The other type (Ho) which is the null hypothesis and it is the logical converse of the alternate hypothesis. It is the negation of the alternate hypothesis; the following hypotheses are formulated as guided to this research studies. However, there are three hypotheses in this research work.

HO: There is no significant effect of the Structural Adjustment Programme in the commercial sector on accounting performance.

H1: There is a significant effect of the Structural Adjustment Programme in the commercial sector on accounting performance.

1. HO: There is no alignment between structurally Adjustment Programme and Second tier Foreign Exchange Market.

H1: There is an alignment between structurally Adjustment Programme and Second tier Foreign Exchange Market.

1. HO: The Structural Adjustment Programme decrease the challenges and calls for professionalism in management

H1: The Structural Adjustment Programme increases the challenges and calls for professionalism in management.

# SIGNIFICANCE OF THE STUDY

Structural adjustment Programmes (SAPs) in this study are meant primarily for accountants and the economic policies for developing countries that have promoted by the World Bank and IMF since the early 1980s by the provision of loans conditional on the adoption of such policies. The research study is also significant to the government by removing “excess” government control and promoting market competition as part of the neo-liberal agenda followed by the Bank and, the Enhance Structural Adjustment facility which is an IMF financing mechanism that aid the support of the macroeconomic policies and SAPs in low-income countries through loans or low interest subsidies.

SAP policies reflect the neo-liberal ideology that drives globalisation. The aim to achieve long term accelerated economic growth in poorer countries by restructuring the economy and reducing government intervention. This is done by privatising state owned industries, including health sector and opening up their economies to foreign competition.

# SCOPE OF THE STUDY

This study revolves around the effect of Structural Adjustment Programme on accounting principles, with the Central Bank of Nigeria Abuja, as the case study. It focuses on the need of the economy to adopt these certain adjustment programmes to restructure and make policies and schemes that will improve the economy. The appraisal of the Structural Adjustment scheme is principally hinged on the problems and challenges , facilities, legal framework, personnel, the scheme compliance and corruption.

# LIMITATION OF THE STUDY

The limitation involved in the course of this research included hostility and non- co-operation on the part of some of the respondents. The level of ignorance on economic reformation and illiteracy was very high. Some SAPs officials refused answering the question they felt would indict them. Also the financial implication was very high and imposed certain restrictions.

The constraint of time was also a limiting factor as all the areas of interest were not covered as they would have been adequate.

# CHAPTER TWO LITERATURE REVIEW

* 1. **INTRODUCTION (ACADEMIC REVIEW)**

Structural Adjustment Programs (SAPs) were a result of the implementation of a neoliberal agenda in the IFIs, such as the IMF and the World Bank. SAPs can be viewed as one dimension of the massive wave of globalization and neoliberalism that was sweeping developing nations thirty years ago (Edlyne 2004: 191). Structural adjustment is the process by which the World Bank and IMF base their lending to developing countries on certain conditions that are predetermined by those institutions. (Milward 2000: 25). Starting in the 1980s, SAPs aimed to integrate developing countries into the world economic system (Geo-Jaja and Mangum 2001: 32). These conditions are rooted in neoliberal theory and therefore advocate for economic and governmental reform based on the neoliberal agenda. In order to receive their loans, the developing nations must follow the conditions set out for them, even if they do not agree. By the early 1980s, SAPs imposed by the IMF and World Bank became a part of the new development agenda, which continued into the 1990s. (Little and Dolan 2005: 209). The IFIs promoted a key set of reforms, known as structural adjustment, seeking to reduce the state‟s role in the economy. SAPs‟ conditions called for reductions in state expenditures on social services, such as education and health care, the introduction of user fees for such services, currency devaluation, trade liberalization, the liquidation of state-owned assets and

enterprises, and financial and labour market deregulation (Edelman and Haugerud 2005: 7). These programs were thought to be the answer to the economic decline found in many developing nations in the mid-to-late 1970s, following numerous global crises (Tar 2008: 56). However, many critiques of SAPs have developed over the past three decades since their implementation, as well as various reforms as a result of these critiques.

# STRUCTURAL ADJUSTMENT PROGRAMME

Structural Adjustment is the name given to a set of “free market” economic policy reform imposed on developing countries. SAPs were introduced as a means of gaining stronger influence over the economies of debt-strapped governments. To ensure a continued inflow of funds, countries already devasted by debt obligations have little choice but to adhere to conditions mandated by the IMF and World Bank.

Chief E.A.O. Shonekan, former chairman of United African Company (UAC) Nigeria limited and one time interim Head of State of Federal Republic of Nigeria said of SAP that it “can aptly be described as a mixed-grill”. He said further that the theory of SAP is essentially an amalgam of the neo-classical advocacy of price mechanism in the allocation of scare resources. There is no doubt when the President of Federal Republic of Nigeria decide to give our ailing economy an antidote called “Structural Adjustment Programme”, he had in mind the views expressed by Chief E.A.O. shonekan.

On why the sudden need for structurally adjusted economy, former Central Bank Governor, Alhaji Abdulkabir Ahmed contended that Nigeria‟s oil earnings (which accounted and still accounts for over 90% of our foreign exchange earnings) chopped form over $20billion in 1981 to about $6 billion since 1982. This he said is the cause of the current economic down turn.

From his assertion, it can be implied that structural adjustment programme is the solution rather than the cause of the present suffering of the Nigerian population.

Dr. S.O. Okpechi, former Executive Secretary of Nigerian accounting Standard Board, in his own opinion saw the structural adjustment programme as a way out or an alternative to the seventeen International Monetary Fund (IMF) conditionalities. He went further to say that the restructuring of the economy reveals that without hard accounting data, most of the Structural Adjustment Programme conditionalities cannot be implemented.

There is no doubt that the required input by the accountancy profession has been greatly increase since the advent of SAP.

The accountancy profession therefore need same revolution achieve better understanding of the impact of Structural Adjustment Programme on firms, organisations, and parastatals etc.

Dr. Okepechi, concerned about the inadequacy of our profession (accountancy) and the in-preparedness of accountants to face the challenges of the SAP on our colonial accounting practices, we are merely magnifying and

over burdening our anticipated practice without an iota of improvement in effectiveness or efficiency of the operations of government. The accountancy profession he concluded has been too passive and docile for too long.

* 1. **CRITIQUES OF STRUCTURAL ADJUSTMENT PROGRAMME** Those who have critiqued SAPs have made arguments similar to those who have criticized neoliberal practices in general. One of the main critiques of SAPs was that they did not necessarily benefit those whose economies were struggling, but the lender who was implementing the conditions of the SAP. It has been argued that SAPs actually further damaged the lives of the populations of those nations, specifically those who were already at risk, such as the poor and women. By cutting social subsidies and support systems, vulnerable populations were further marginalized (Bond 2005: 232).

However, it was not only the poor and marginalized that were impacted. Due to the currency devaluation that was often a condition on SAP loans, wages became grossly insufficient to meet the basic needs of the people. Those who once belonged to the middle class now found themselves part of the lower class, being unable to maintain their pre-SAP standard and quality of life (Okome 1998: 152-153). As well, the “devaluation-induced inflation,” which was common in most countries following the establishment of SAPs, negatively impacted the populations across class boundaries, but had a more devastating impact on those in the middle and lower classes who did not have access to

resources to alleviate the effects of the inflation (Zack-Williams 2000: 61). Therefore, those more pre-disposed to poverty were the most affected by the SAP policies.

The alleviation of poverty was not central to what is known as the “first wave” of structural adjustment, which occurred in the 1980s. It did not become a concern until after 1987, with the publication of UNICEF‟s report *Adjustment with a Human Face* (Zack- Williams 2000: 61). By the mid-1990s, the World Bank had modified many of their structural adjustment policies, developing social investment programs aimed at helping poor sectors that were hit hard by adjustment policies. (Edelman and Haugerud 2005: 7). As well, the IFIs developed conditioned debt relief programs for a smaller group of nations it termed “Heavily Indebted Poor Countries” (HIPC), most of which were in Africa (Edelman and Haugerud 2005: 7). Other examples of modified adjustment policies will be discussed later in the paper.

These reformed adjustment policies, though improved, still faced heavy criticism. Another critique of SAPs have been that the conditions that are set in order for developing countries to receive their desperately needed loans are unrealistic. Full compliance with the usual host of IMF and World Bank policy conditions has seldom been possible, especially due to the extensive public opposition to the implementation of the policies usually found in the developing nation (SAPRIN 2004:3). Though unrealistic, “…the vast majority of measures required – ranging from the dropping of trade barriers that protected the

livelihoods of small farmers and fledging domestic industries to the rewriting of national labour laws – have typically been adopted as governments have been forced, under threat of being cut off from international financing, to respond to the interests of their official and private creditors over those of their own people” (SAPRIN 2004: 3). The unrealistic conditions placed an increased strain on the nation‟s economy as well as its population.

In addition to the accusation that SAPs lowered the quality of life and increase financial strain of the populations of the countries who took conditioned loans, it has also been argued that SAPs were used as a method to force developing nations to adopt Western practices. Usman A. Tar argues that the IFIs, all financed by the most industrialized developed countries, sought to coerce countries to adopt a variety of contradictory, often socially explosive, stabilization and adjustment programs in return for a new wave of loans (Tar 2008: 57). Overall, most of the developing nations had no choice but to accept, if they wanted to receive the much-needed loan. The developing countries were bullied into agreeing to the conditions as it is only when governments sign the loan agreement, that the IMF would agree to arrange a restructuring of that country's debt, which includes a provision for a new loan package (Geo-Jaja and Mangum 2001: 32). Fueled by an atmosphere of desperation, these conditional loans allowed developed nations to enforce their perspectives on developing nations, which created a neo-colonial rule, as discussed above. The SAPs‟ conditions were viewed as a tool of the neo-colonialism that was implemented

by the adoption of neoliberal agendas. “Donors suddenly transformed their rules of engagement: from „development partners‟ and „ideological allies‟ to the

„settlers‟ and „imposers‟ of new agendas supportive of political reform and economic liberalization” (Tar 2008: 57). The acceptance of the SAP conditional loans left many nations, both the government and the population, feeling powerless about their economic future. This feeling of powerlessness was also discussed in the Structural Adjustment Participatory Review International Network‟s (SAPRIN) report, published in 2004, titled *Structural Adjustment: The Policy Roots of Economic Crisis, Poverty and Inequality*. In the report, they argued that the SAP policies have been problematic and debilitating for those countries in which they are implemented. “Without democratic control over the key economic decisions that so directly affect their lives, the vast majority of citizens have seen the past generation of policies serve other interests while their own circumstances deteriorate” (SAPRIN 2004: 3). Out of desperation caused by “ a spiralling downward decline in economic growth,” most countries turned to Western institutions for a funded solution in the form of debt relief, cancellation, and further loans (Tar 2008: 56-57). Looking to the IFIs and developed nations for help, the developing nations became further indebted and controlled via the conditions of the SAP loans, therefore even more powerless than before.

Those who criticize SAPs argue that they are a way for Western nations to ensure that the developing nations remain dependent on them, as well as a way to enforce a neo-colonial reign.

Specifically, the major objectives of the programme are as follows;

* + 1. Restructure and diversify the productive base of the economy in order to reduce dependence on the oil sector and on imports.
    2. Achieve fiscal and balance of payment viability over the period.
    3. Lay the bans for a sustainable non-inflationary or minimal inflationary growth.
    4. Lessen the dominance of unproductive investment in the public sector.

Hence, improving the sectors efficiency and intensify the growth potential of the private sectors.

The main strategy of the adjustment programme includes;

1. The adoption of a realistic exchange rate policy coupled with liberalisation of the external trade and payment system.
2. Adoption of appropriate pricing policies in all sectors with a greater reliance on market forces and reduction in complex administrative controls.
3. Further rationalisation and restricting of public expenditure and custom tariffs.

# REVIEW OF POLICY MEASURES

As a result of the collapse of the world oil market and fall in government revenue and reserves, the need for the review of policy measures became a matter of urgency. During the period 2005 to mid 2009, a number of policy measures, largely demand management in context were taken. In April 2007, the Federal Government enacted the Economic Stabilisation Act designed to arrest the detenoration in the balance of payment position and revamp the economy, through the stabilisation measure concentrated on exchange control, impact restrictions a well as measures in monetary and fiscal policies.

Efforts were made in successive years to reduce the public sector deficit through a reduction of capital and recurrent expenditure and an increase in revenue. Some government projects were abandoned or suspended and emphasis of government shifted to maintenance and rehabilitation projects especially in the social and health services.

Government workers were laid off through efforts at streamlining public sectors employment to reduce the burden of the wage bill.

Similarly, existing exchange control measures were reinforced and made increasingly more stringent. From 2008, all imports were placed under specific licensing.

In October 2009, government declared a fifteen months Economic Emergency.

Period during which specified proportion of workers‟ salaries and companies profit were compulsorily paid to government.

On January 1, 2010 about 80 percent of the subsidy on petroleum products (based on the prevailing exchange rate) was removed and consumers were made to pay more for them several incentives were also embarked upon from 1983 to negotiate with Overseas Creditors on the rescheduling and re- financing of trade arrears.

The various austerity measures drastically reduced raw materials and spare parts to the import-dependent industrial sector leading to extensive plant closure, substantial drop to capacity utilization and retrenchment of many workers severe market shortages led to very high prices of many essential commodities.

Investments both by the public and private sector shrank and the depression deepened. Thus by the end 2008, real per capital GDP and consumption were below the levels recorded in the early 1990‟s external debt outstanding rose to over US$18 billion out of which about US$51 million represented trade arrears.

It became obvious that the various measures especially the restrictive exchange and trade control, taken since 2005 were mere palliatives as their effectiveness at solving the fundamental and financial problem of the economy was constrained by the continued fall in foreign exchange earnings, the over-

valuation of the naira exchange rate and other directions and rigidities in the economy.

# OTHER ECONOMIC POLICY MEASURES UNDER THE SAP

* + 1. **CURRENT TRADE POLICIES**

An important aspect of the introduction of the SFEM which constitute an important aspect of Nigeria‟s Structural Adjustment Programme in trade liberation. This is reflected in the immediate abolition of import and export licensing and exchange control on all current transactions and the reduction of prohibited import items. Similarly, the previous requirement that Nigerian resident should surrender their foreign exchange earnings to the CBN was abolished.

Henceforth, exporters and other foreign exchange earners are entitled to 100% of their foreign exchange earnings, which they must repatriate and keep in their domiciliary account on which they can freely draw to meet all eligible foreign exchange transactions under the SFEM. Also the CBN delegated to the authorised dealers full approving authority for current private sector current account transactions. As for capita account transaction the Federal Ministry of Finance continued to be approving authority.

With the introduction of SFEM, 30 percent levy introduced in January, 2002 was abolished as superfluous. In recognition of the need to improve the financial liquidity of companies for trade and other purpose, a system of

advance payment of import duties whereby importers were required to pay appropriate import duty at the time letters of credit are opened was revised.

Under the revised system, only 25 percent of the assessed import duty need be paid, effective from January 1, 2009. The balance f 75 percent was t be paid when the goods actually arrived. A related trade policy measure announced in January 2009 budget and designed to promote export in the duty draw back suspension. Under the scheme, exporters/producer could import raw material and intermediate product for use in the manufacture of export products free of import duty and other indirect taxes and charges. The scheme also covered exports made on letters of credit as well as those made on slight or issuance.

# FISCAL MEASURES

Some of the existing fiscal policy measure were reviewed and rationalised in line with Structural Adjustment Programme with a view to ameliorating the expected inflationary impact of SFEM.

Besides the abolition of the 50 percent import levy and the reduction of import prohibition list, import and exercise duties were substantially reduced pending the results of studies commissioned for their review and rationalisation in keeping with the regime of flexible exchange rates. Also, the reduction from workers‟ salaries under the national economic recovery fund was discontinued and deductions already made from workers with annual salaries not exceeding

₦ 3600.00 were refunded to them.

# MONETARY POLICY MEASURES

In order to reduce the ability of the Commercial Banks to grant credit for trading on SFEM, the CBN required the commercial Bank on the 15th August 1986 to deposit in non-interest bearing deposit account at the CBN, the naira counter-part of all outstanding external payment arrears.

About ₦ 4.25billion was lodged with the bank at the end of the exercise. Also, in line with the objective of SAP and introduction of the SFEM, the following monetary policy measures were adopted.

* + - 1. The 2007 ceiling of 10 percent imposed on the rate of credit expansion by the big and medium sized commercial banks was reduced to 8 percent for the rest of 1986 and whole of 2008
      2. The 9.5 percent interest rate payable on saving deposit was retained.

However in the place of the range of 8.5 to 12.5 percent on time deposit of carrying maturities, a flow of 8.5 percent was fixed. The ceiling of bank lending rate was raised from 12 to 15 percent.

Other lending rates were to adjust upwards accordingly. However, the banks and the their customers were given the freedom to negotiate deposit and lending rates within the stipulated range which might vary from bank to bank and according to size and maturity of deposits or loans as well as the forced of supply demands for funds.

* + - 1. Additional measures were adopted with effect from 1st August, 2008.
         1. The 8 percent ceiling on commercial bank credit expansion was revised to 7.4 percent for the last three quarter of the year. Banks, which exceed the permissible rate of credit expansion, shall be required to deposit an amount equivalent to the excess credit with the CBN free of interest.
         2. All controls on interest were removed in line with the emphasis on the deregularisation of the economy in SAP.
         3. In order to encourage the private sector non-bank public to invest in Government Securities the treasury bill rate was raised from 10 percent to 14 percent and the minimum rediscount rate was fixed at 15 percent.
         4. The minimum liquidity ratio for commercial banks was revised from 25percent to 30 percent.

# FINANCING THE ADJUSTMENT PROGRAMME

A review of the SAP and the specific organs and measures adopted under it would be incomplete if something is no said about how the government plans to finance the adjustment programme. This section briefly outlines financing arrangements.

Government expect substantial public and private sector savings mobilisation to finance the programme. The expectation was based on the planned reform of the parastatals and the financial systems.

Also government seeds to finance the programme through measures designed to control public expenditures and reduce import demand through the adoption of more realistic exchange rate and deregulation of interest rate; government expect considerable amount of capital inflow of importance in the financing plan, is the debt rescheduling.

In order to reduce the debt burden, series of negotiations were held with the overseas creditors to reschedule and grace period. Agreement was reached with the steering committee of the member banks of London club to reschedule repayment on medium and long-term debts owed them for none years with a four years grace period, with interest of 1.25 percent above LIBOR and a restructuring fee of 0.5 percent on total rescheduled amount.

Arrangement to re-finance uninsured trade debts through the issuance of promissory notes and the rescheduling of payments were also made.

# APPRAISAL

The programme was just two year (July 1986-June 1988), though it ended but it principles still with us here, since implemented, much have been experienced.

There had been much opinions expressed, the proposers as well as opposes. The critics are widespread over the entire segments of the economy especially in the manufacturing sector.

The introduction of second-tier foreign exchange market (now foreign exchange market) sent fears to the industry and commerce. This was expressed in the comment of Alhaji B. Tukur, one time Deputy General Manager of United Bank for Africa said “ As more money would be needed to purchase a given amount of foreign currency companies would now be forced to go the banks to ask for increased working capital”

However, the SAP has some achievements which brought the elimination of wastes. As Dr. Bayo Oloniyo said “the suffering into which SAP has plunged individuals and families alike is inevitable but the future will bring goodies to the nation.”

In the same opinion, one time Minister of Finance, Dr. Chu Okongwu said, “SAP as a concept has made us (Nigerians) all to become more cost conscious”.

Also there is the benefit of allocation of foreign exchange resources and man power utilisation both in the public and private sectors and increase care of access to foreign exchange by the prime worker of the economy.

So far the road has been very rough as well as being good. The development the programme has been very progressive. The SAP has however not been without some negative side effects.

These includes, higher production costs, cash flow problems, for enterprises, low capacity utilisation in some sectors of the economy, increased unemployment and low consumer demand. The smaller-scale industries and several of the Assembly-type activities seemed to have experienced greater negative effects than other.

The then Minister of Finance, Dr. Chu Okogwu counting the benefits to the SAP in one of his press briefing printed out the following areas;

1. Improve capacity utilisation: he was of the opinion that the advent of foreign exchange market, which automatically removed the bottle-neck in import licensing, where most companies were able to have their raw material was easy access to foreign which has kept the factories going.
2. Boost in non-oil sector: the export of agricultural products such as cocoa, cotton, groundnut, palm products and rubber enhanced government revenue from crude petroleum.
3. Easy access to the foreign exchange: this aspect of the program has in no small measure improved the industry and commerce.

The SAP has not been very fair to some segments of the economy particularly commerce and industry. This was summarised in the advice given by the Director General, Nigerian Association of Chamber of Commerce, Industry, Mines and Agriculture that the Federal Government‟s SAP still needs to undergo some modification in order to enable policies meet short terms to medium terms economic objectives.

The SAP could not be said to be entirely bad, for all, upon the hard times, one was surprised to read about the huge amount of profit being made by some companies. The chemical and allied product limited, Lagos in one of their Annual General meeting declared a profit of ₦ 10 million. Their turnover went up to 30 percent from ₦ 51.6 million in 1986 to ₦ 67.1 million in 1987.

The profit increase from ₦ 9.2 million to ₦ 10.2 million and shareholders got a dividend of 15k per share compare with 11.88k last year.

* 1. **ACCOUNTING PRINCIPLES, CONVENTIONS AND CONCEPTS** The conventions of financial accounting are partially significant to the development of accounting theory in two ways.

Firstly, they are themselves part of an empirical process for developing rules of financial accounting. In this sense, they may be regarded as belonging to the corpus of accounting theory.

Secondly, they reflect the influence of the institutional forces which shape the philosophy of accounting in a given economic and social environment.

Thus the accounting profession in the UK and in the U.S is a powerful influence in shaping the development of accounting within the context of the problems found in these countries. Just like any other theory, accountants have discovered that they need to make certain assumption before they can prepare financial statements.

These assumptions which underlie the preparation of financial statement are known as Principles, Postulates, Conventions, concepts, standard, Axioms etc. These are usually rules and conventions which have been adopted as a general guide to action by the Accountancy Profession. These principles are formulated in such a way that the practical detailed of accounting may differ greatly form one company to another. To secure acceptance, an accounting principles must be useful coping a practical recording problem, it must be reasonably objectives, that is, provide a similar answer in the hands of qualified practitioners, and finally it must be feasible. That is, it should not be expensive to apply.

* 1. **THE NATURE OF ACCOUNTING PRINCIPLES/CONVENTIONS** Textbooks refer variously to accounting principles, accounting postulated concepts, imperatives and assumptions to describe these point of agreement on which financial accounting theory and practice are founded.

The term “Accounting conventions” might be the most appropriate one because it stresses that the ground rules of financial accounting are not the subject of immutable laws, but are based on consensus.

They defined the assumptions of which the financial accounts of a business are prepared. Financial transactions are interpreted in the light of the conventions, which govern the accounting methods.

In effect, the conventions of financial accounting largely determine the interpretation given in financial reports of the events and results, which they portray.

In brief, accounting principles and conventions have been described as the basic point of agreement upon which the preparation of financial statements is based. They act as filters in the process of preparing financial statements and therefore assist immensely in selecting data to be processed and also indicating the processing method and thereby affecting the final output.

# TYPES OF ACCOUNTING PRINCIPLES

We may classify accounting principles into two broad groups; these which may be said to go to the very roots of financial accounting which are called “Fundamental conventions”, and those that bear directly on the quality of financial accounting information, which are described as “Procedural Convention”.

# Fundamental Conventions

* + 1. The entity convention which states that financial accounting information relates to the activities of a business entity only, and not to the activities of its owner.

The practice of distinguishing the affairs of the business from personal affairs of it owner originated in the early days of double-entry book- keeping some 400 years ago.

This arose from the habit of employing manager or stewards to run a business and to require them to render accounts of their stewardship of the funds and assets entrusted to them.

Consequently, the “Capital” invested in the business represented at once not only the initial assets of the business but a measure of indebtedness to the owner and eventually the owner is shown to be entitled to both the “Capital” which he has invested in the business and also the profits which have been made during the year.

The accounting and legal relationship between the business and it owner(s) is shown on the balance sheet, which states the firm‟s assets and liabilities and hence indicates its financial position and financial well-being.

* + 1. The money measurement convention, which limits the recognition of activities to those which can be expressed in monetary terms.

Both trade and accounting existed before the invention of money, which we now began to circulate in the 6th century B.C by Roman times; money had become the language of commerce, and accounts were kept in money terms.

Accounting is only concerned with these facts that can be measured in monetary terms with fair degree of objectivity. This means that accounting can never show the whole of the state of the business or how well it is being conducted.

Therefore, the money measurement convention sets an absolute limit to the type of information which accountants may communicate about a business.

# PROCEDURAL CONVENTIONS

There are several of these, which though of great importance, affect the manner in which financial accounting information is selected, analysed and communicated.

Some of these conventions are the subject of criticism, for example, the realisation convention, which holds that a gain in value may only result from a transaction.

The following conventions are generally regarded as the most important one in this group:

1. The Going-concern concept
2. The realisation concept
3. The Accrual concept
4. The matching concept
5. The periodicity concept
6. The consistency concept
7. The conservation concept
8. The materiality concept
9. The stable monetary unit concept

# THE GOING-CONCERN CONCEPT

Unless the opposite is known accounting always assume that the business will continue to operate indefinitely for long period of time; thus, the valuation of assets used in a business is based on this assumption and not based on the one that is on the verge of cessation.

This concept is very important; many assets derive their value form their employment in the firm, and should the firm cease to operate, the value which could be obtained for these assets on a closing down sale would be much less probably than their book value.

# HISTORIC COST CONCEPT

By convention, however, accountants determine the value of an asset by reference to the cost of its acquisition, and into by reference to the value of the returns, which are expected to be realised. Hence, the value in use of assets

which the going-concern convention maintains is the cost of acquisition. To the accountant, the difference between the value in use and the cost of acquisition of an asset is income.

# REALISATION CONVENTION

In accounting, profit is normally regarded, as being earned at the time when the goods or services are passed to customer and he incurs liability for them i.e. This is the point at which the profit is treated as being realised.

# ACCRUAL CONCEPT

The accrual concept makes the distinction between the receipt of cash and the right to receive cash, and the payment of cash and the legal obligation to pay cash. For in accounting practice, there is usually no exact coincidence in time between cash movements and legal obligations which they relate. Revenue may be defined as the right to receive cash, and accountants are concerned with recording these rights.

Cash receipts may occur instantaneously and also as follows:

* 1. Before a right to receive has arises
  2. After the right to receive has been created
  3. Cash may be received in error

It provides a guideline to accountant as to how to treat these cash receipts and the right related thereto. Similar rules apply to the treatment of expenses measured by the firm. Expenses may be defined as legal obligations incurred by

the firm to pay in money‟s worth, for the benefit of goods or services, which it has received.

Cash payments may occur instantaneously and as follows;

1. Before they are due for payment.
2. After due data for payment
3. Cash may be paid in error

# MATCHING CONCEPT

One of the important purposes of financial accounting is to calculate income resulting from transactions. This means identifying the gains resulting from transaction and setting off against those gains that expenses which are related to those transactions.

The realisation concept identifies the timing of gains, and the accrual convention enables the accountant properly to record revenues and expenses, neither, however, helps the accountant to calculated income. The matching concept links revenues with their relevant expenses.

# CONSISTENCY CONCEPT

The usefulness of financial accounting information lies to a considerable extent in the conclusions, which many be drawn from the comparison of the financial statements of one year with that of a preceding year, and the financial reports of one company with those of other company.

The comparability of financial statements depends largely upon the choice of accounting methods and consistency with which they are applied.

It should be noted that there are various concepts and conventions, and that there are many different ways in which items may be recorded in the accounts.

Each firm should within these limits select the methods, which give the most equitable picture of the activities of the business. This cannot be done if methods are constantly changed from one year to another and this would lead t a distortion in the report.

This concept, however does not bind the firm to following the method until the firm closes down. A firm can change the method need, but such a change is not affected without the deepest consideration and when such a change occurs, its effect should be stated in the notes accompanying the accounts.

# THE CONSERVATISM CONCEPT

The convention of Conservation means that normally an accountant should take the figure that will understate rather than overstate the profit in treating a given item.

Alternatively, this could be expressed as choosing the figure, which will cause the capital to be shown at a lower amount rather than a higher one. This could also be said to make sure that all losses are recorded in the books and that provision should be made for all possible losses, but that profit should not be anticipated by recording them prematurely.

# THE MATERIALITY PRINCIPLE

This stresses the point that is only items of significant value or cost that should be recorded or probably capitalised. This however varies from organisation to organisation considering the financial strength of each organisation. What material to „A‟ might not be considered so by „B‟?

The needs of the user group and the reason they require these information should always be taken into consideration. Also we are concerned about the ability of these user groups to interpret and analyse the information made available to them.

Over the time, the objectives of financial reporting have skirted depending on the circumstances surrounding how and why financial reports are prepared and the person for whom they are prepared for.

In the corporate Report of 1975, quite a number of indications were identified as desirable characteristics of financial report and quoting “The Fundamental Objective of corporate report is to communicate economic measurements and information about the resources and performance of the reporting entity useful to those having reasonable rights to such information.

Financial accounting information is used by various interested parties;

1. Managers require financial information to evaluate the financial results of past decisions, because the evaluation of past performance is an important part of management decision making.
2. The equity investors group need financial information, which will enable them to predict their income from the firm and the value of their investment and to hudge the risk attached thereto. They also require financial information for the purpose of making decision about their investment.
3. Other external users of financial accounting information are the Inland Revenue, which requires a firm to submit its audited financial accounts for the purpose of assessing its tax liability.
4. Employers, Trade Unions have vested interest in the financial performances of the company.

Creditors need the financial accounting information in order to know if the firm is credit worthy, that is, of the firm will be able to meet its financial obligations. They are interested in the organisation profitability as far as it is able to pay off its debts.

# GOING CONCERN AND INFLATION

The going-concern concept presumes that an organisation will exist beyond the foreseeable future. In other words, the organisation will exist beyond the next twelve months/calendar year. In the light of the present economic situation, it is becoming increasingly difficult for organisation/companies to say precision that it will live beyond the next twelve months.

This is due mainly to the present liquidity squeeze that abounds in the system.

Liquidity ratio is the solvency of a firm and its ability to meet its current organisations as they fall due. If a firm is for one reason or the other unable to meet its obligations, its creditors might force it into liquidation. In days gone by, the magnanimity of the banks and other financial institution is always taken for granted. But with the recent directive of the Central Bank of Nigeria directing all parastatals and government agencies to withdraw their deposit form commercial and merchant banks. It is now very clear that organisations that have been relying solely on the banks for funding might have to close down.

Inflation they say is as a result of having too much of money to buy few things. But it seems Nigeria‟s condition is peculiar because there is very little money in individual‟s pocket, yet the prices of things keep rising. The effect of inflation on the continuous existence of most organisation has made it mandatory for them to make short term planning a priority and flexible budgeting a way of management planning and control.

# STABLE MONETARY UNIT IN AN INFLATIONARY SET UP

The stable monetary unit concept of state that there is no inflation within the financial year. This of course is an outdated concept, which is still being strictly adhered to in the preparation of accounting information. There is no country in the world that does not experience inflation at one time or the other.

The then Western Germany that was reputed for its stable economy course, cried out sometime in the second quarter of that year during inflation, which the government of the country have successfully tamed for past year, grew wild.

If the assumption of this concept is continuously being put to use, we might as well be living in an imaginary world, because it‟s all tantamount to running away from reality.

It could be so funny when on thinks that the currency in which accounts and financial information is being prepared has no fixed value. It dances to the dictates of the market forces, yet we adhere strictly to the concept of stable monetary unit.

# THE ACCOUNTANTS AND STRUCTURAL ADJUSTMENT PROGRAMME

During an economic depression as is the case in Nigeria, the concern of very individual is survival. In the case of businessmen, accountants and other professionals, the concern is two folds;

* + 1. Survival of his person and his family
    2. Survival of his business or the business where he serves as a custodian of economical resources.

The first which is biological or physiological survival, while the second is the economic survival. Economic survival is the priority because without economic substance survival (biological) is in doubt.

In this bid, only the fittest survives; thus in a situation where production is contracting and prices falling the existence of any economic unit becomes a nightmare, the accountants becomes very important here.

These are challenges, the changes of our time, which require imaginative initiative and innovation ideas and certainly discarding old ideas about the function of accounting in economic development. The problems of strict adherence to standards and policies, which are not in conformity with the present economic realities, are posing a big riddle to everyone.

For this reason, how could one explain the relevance of historical cost information for decision making in periods of rapid economic changes, as is that case now.

Will the accountants refusal to reflect accurately the effect of inflation and depreciated value of the Naira in financial statement in the interest of the public? This definitely brings us to the issue of inflation accounting or current cost accountant (CCA).

Accountants have been trying since the mid sixties when the Institute of Chartered Accountants of Nigeria (ICAN) was established, to bring out or formulate policies standard which bears relevance to our economic environment. Since the establishment of the Nigeria Accounting Standard Board

in 1982, at least six standards have been formulated. There are four others on the board. The Foreign Exchange Conversion and Translation which happens to be one of the newly formulated will be very useful in curbing the effect of the fluctuating value of the naira against major currencies.

The Accountants need to formulate more of these standards and in particular, the one on inflation accounting should be given priority since current cost accounting seems to be the best available alternatives. The traditional accounting techniques and practices, which have been, geared forward satisfying management requirements too. The use of management accounting system should also be brought in line with the new competitive environment if our efforts were to improve on productivity and efficiency will be successful.

# CHAPTER THREE RESEARCH METHODOLOGY

* 1. **INTRODUCTION**

According to Anyanwu (2002), research methodology refers to the ways in which a researcher utilize in administering and collecting of data in order in order to get necessary information in a research work.

This chapter highlights the methods and procedures adopted in carrying out the study. The two types of data collection produce were employed in this work; they are personal interview and questionnaire. Some relevant publications were studied, seminars, journals and some textbook provided in this research work.

# RESEARCH DESIGN

Research design provides the glue that holds the research project together. A research design is used to structure the research to show how all major part of the research project work together and also tries to address the central research questions that were used.

According to Anyanwu (2000:4) defined research design as the frame works that indicates the type of information that is needed for the research, the source of such information and method of its collection.

According to Baridam (1994:44) research design could therefore be seen as a framework or plan that is used as a guide in collecting and analyzing the

data for study. The study was designed in a manner that would enable sufficient data collection and at the same time achieve the objective. Having verified the problems and developed empirical question and hypothesis, the researchers engage into a field work to obtain relevant primary data for the execution of study. In addition, literature served useful guidelines and assistance. Definitely, this is a survey research. Survey research is the method of gathering data from respondents to be the representative of some population using an instrument composed of closed structure or open ended items (questionnaire).

**NOTE**: In this research, survey design was used to, so as to ensure originality and reliability. That is, to ensure that all information gotten were from primary source and not secondary data.

# SOURCE OF DATA

The researchers made use of both the primary and secondary data collection sources:

* + 1. **The primary data sources**: these include data generated through oral interview and questionnaire process. They consist of responses elicited from respondents that completed and returned the questionnaires.
    2. **The secondary data sources**: these include data generated through journals, textbook, seminars, articles, newspapers which served as reference material in the literature review to a large extent.

# AREA OF STUDY

In this research work, the researcher used Central Bank of Nigeria Abuja, a Federal Banking Institute as the case study

# POPULATION OF THE STUDY

Population in research statistic according to Olukumi (1992:103) is the target of the study for the collection of data. The numerical value of the workers is two hundred and six (206) officials

**Population of SAP ABIA state officials**

|  |  |
| --- | --- |
| Department | Population |
| Manufacturing | 70 |
| Servicing | 76 |
| Commercial | 60 |
| Total | 206 |

* 1. **DETERMINANT OF SAMPLE SIZE**

A sample is a subset of the population. Due to the nature and complication of this topic, sample size under consideration is limited to professionals and practising accountants especially the chief Accountants. Management Accountants and few account officers of various organisation that are concerned with the preparation and presentation of financial statement, budgetary planning and control etc. the sample size is determined using Taro Yamane formula of finite population.

Formula n = N

1+N(e)2

Where n = sample

N= Population

e = level of significance or error = 0.05 or 5% 1= Constant

Therefore:

n = 206

1+206(0.05)2

n = 206

1+206(0.0025)

n = 206

1.515

n = 136

Therefore, from the population table below, the allocation will be

|  |  |  |
| --- | --- | --- |
| Department | Population | Sample size |
| Manufacturing | 70 | 70(136)/206 = 46 |
| Servicing | 76 | 76(136)/206 = 50 |
| Commercial | 60 | 60(136)/206 = 40 |
| Total | 206 | 136 |

# RELIABILITY TEST

In order to make this research work reliable the researcher decided to use questionnaire and interview to solicit for information. The researcher also used simple and straight forward language to avoid ambiguity in understanding of the questions.

# VALIDITY TEST

This research work has been accorded with a close supervision as my supervisor has read, made all necessary correction in the areas where lapses

occurred and after which the corrections has been made, he approves validation of the work.

# TECHNIQUES FOR DATA ANALYSIS

In analysing the data collected we will make sure that the process, reflect the questions asked and the responses received. It should be noted that the variables (Yes), (No), or (N/A) Not Applicable or indifferent were used in the questionnaire. The sum total of the views will be considered in the analysis and probably b sundry according to the population sample size. The methods used for data collection are simple tables while the hypotheses will be tested using Chi-Square statistical technique.

# DECISION CRITERION FOR VALIDATION OF HYPOTHESIS

In taking a decision, the null hypotheses and alternative hypotheses is accepted if the critical or table value is greater than the compared value of x2 alternatively, if the computed value of x2 is greater than the critical value.

That is if x2 >x2e reject Ho (null hypothesis)

If x2 < x2e accept H1 (alternative hypotheses) Where x2 = critical or table value

X2e = calculated value.

# CHAPTER FOUR

**DATA PRESENTATION AND ANALYSIS**

# PRESENTATION OF DATA

In this chapter, all the data collection from the questionnaires are presented, analysed and interpreted.

Table 4.1.1 Questionnaire Distribution and collection

|  |  |
| --- | --- |
| Number of questionnaire distributed | 206 |
| Number of questionnaire returned | 136 |
| Number of questionnaire not returned | 70 |

Source: field survey 2013

For the analysis, the researcher will be making use of the number of returned which are 136.

# Question 1

Table 4.1.2 Has the Structural Adjustment Programme in commercial sector improved accounting performance?

|  |  |  |
| --- | --- | --- |
| Option | No of Response | % of Response |
| Yes | 88 | 65 |
| No | 48 | 35 |
| Total | 136 | 100 |

Source: field survey 2013

From the above table, 88 of the response representing 65% said Yes that SAP has improved the accounting performance while 48 of the response representing 35% said No, that SAP has not improved accounting performance.

# Question 2

Table 4.1.3 How does SAP in accounting department of your company affect the profitability of financial report?

|  |  |  |
| --- | --- | --- |
| Option | No of Response | % of Response |
| Positively | 16 | 12 |
| Negatively | 88 | 65 |
| N/A | 32 | 23 |
| Total | 136 | 100 |

Source: field survey 2013

From the above table, 16 of the responses representing 12% said Yes that SAP has affected the profitability of financial report, while 88 of the response representing 65% said No, that SAP has not affected the profitability of financial report. And 32 of the responses representing 23% were indifferent about it.

# Question 3

Table 4.1.4 Is there any significant relationship between Structural Adjustment Programme and Second Tier Foreign Exchange Market?

|  |  |  |
| --- | --- | --- |
| Option | No of Responses | % of Responses |
| Yes | 85 | 63 |
| No | 51 | 38 |
| Total | 136 | 100 |

Source: field survey 2013

From the above table, 85 of the response representing 63% said Yes that there is significant relationship between SAP and SFEM, while 51 of the responses

representing 38% said No that there is no significant relationship between SAP and SFEM.

# Question 4

Table 4.1.5 Does the Structural Adjustment Programme reduce the hardship of the common people?

|  |  |  |
| --- | --- | --- |
| Option | No of Responses | % of Responses |
| Yes | 70 | 51 |
| No | 66 | 49 |
| Total | 136 | 100 |

Source: field survey 2013

From the table above, 70 of the responses representing 51% said Yes, that SAP reduces the hardship of the common people, while 60 of the responses representing 49% said No, that SAP does not reduce the hardship of the common people.

# Question 5

Table 4.1.6 Do you see any of these methods as presenting the true profit since the introduction of SAP?

|  |  |  |
| --- | --- | --- |
| Option | No of Responses | % of Responses |
| Yes | 52 | 38 |
| No | 56 | 41 |
| N/A | 28 | 21 |
| Total | 136 | 100 |

Source: field survey 2013

From the above table, 52 of the responses representing 38% said Yes, that these methods present the true profit of a firm while 56 of the response representing 41% said No that these method do not present the true profit. And 28 of the responses representing 21% were indifferent on the question.

# Question 6

Table 4.1.7 In view of SAP, do you still consider the historic cost based accounting?

|  |  |  |
| --- | --- | --- |
| Option | No of Responses | % of Responses |
| Yes | 57 | 42 |
| No | 79 | 58 |
| Total | 136 | 100 |

Source: field survey 2013

From the above table, 57 of the responses representing 42% said yes that SAP consider historic cost based accounts while 79 of the responses representing 58% said No that SAP does not consider historic cost based accounts.

# Question 7

Table 4.1.8 Do you agree that the going concern assumption should become the exception rather than the rule accounting?

|  |  |  |
| --- | --- | --- |
| Option | No of Responses | % of Responses |
| Yes | 20 | 15 |
| No | 104 | 76 |
| N/A | 12 | 9 |
| Total | 136 | 100 |

Source: field survey 2013

From the table, 20 of the responses representing 15% said Yes that they agree to going concern becoming the exception rather than the rule in accounting while 104 of the responses representing 76% said No that the disagree with going concern becoming the exception. 12 of the responses representing 9% were indifferent about it.

# Question 8

Table 4.1.9 Do you agree that under SAP, any upwards revaluation of assets should be considered as permanent and therefore written into profit and loss account?

|  |  |  |
| --- | --- | --- |
| Option | No of Responses | % of Responses |
| Yes | 32 | 24 |
| No | 76 | 55 |
| N/A | 28 | 21 |
| Total | 136 | 100 |

Source: field survey 2013

From the above table, 32 of the responses representing 24% said Yes that upward revaluation of asset should be considered as permanent while, 76 of the responses representing 55% said No that upward revaluation of asset should not be considered as permanent and therefore, not to be written in the profit and loss account. And 28 of the responses representing 21% were indifferent about it.

# Question 9

Table 4.1.10 Do you attend regular training or workshops on SAP?

|  |  |  |
| --- | --- | --- |
| Option | No of Responses | % of Responses |
| Yes | 65 | 48 |
| No | 71 | 52 |
| Total | 136 | 100 |

Source: field survey 2013

From the above table, 65 of the responses representing 48% said Yes that they attend regular training and workshop on SAP, while 71 of the responses representing 52% said No that they do not attend regular training on SAP.

# Question 10

Table 4.1.11 Do you think the SAP is adequately funded?

|  |  |  |
| --- | --- | --- |
| Option | No of Responses | % of Responses |
| Yes | 86 | 63 |
| No | 50 | 37 |
| Total | 136 | 100 |

Source: field survey 2013

From the table above, 86 of the responses representing 63% said Yes that SAP is adequately funded while 50 of the responses representing 37% said No that SAP is not adequately funded.

# Question 11

Table 4.1.12 Are you satisfied with your remuneration?

|  |  |  |
| --- | --- | --- |
| Option | No of Responses | % of Responses |
| Yes | 79 | 58 |
| No | 57 | 42 |
| Total | 136 | 100 |

Source: field survey 2013

From the table above, 79 of the responses representing 58% said Yes that they are satisfied with the remuneration while 57% of the responses representing 42% said NO that they are not satisfied with the remuneration.

# Question12

Table 4.1.13 Do you agree that some of the SAP scheme are manipulated and corrupt?

|  |  |  |
| --- | --- | --- |
| Options | No of Responses | % of Responses |
| Yes | 70 | 51 |
| No | 66 | 49 |
| Total | 136 | 100 |

Source: field survey 2013

From the above table, 70 of the responses representing 51% said Yes that some the SAP scheme is corrupt and manipulated while 66 of the responses representing 49% said No that the SAP is not corrupt and manipulated.

# Question 13

Table 4.1.14 How does the corruption of some of SAP scheme affect its objectives?

|  |  |  |
| --- | --- | --- |
| Options | No of Responses | % of Responses |
| Positively | 0 | 0 |
| Negatively | 136 | 100 |
| Total | 136 | 100 |

Source: field survey 2013

From the table above, 0 of the responses representing 0 said that corruption of the SAP scheme has affected the objectives positively, while 136 of the responses representing 100% said that corruption of the SAP scheme has affected the objective negatively.

# Question 14

Table 4.1.15 Do you have current up to date of SAP scheme?

|  |  |  |
| --- | --- | --- |
| Options | No of Responses | % of Responses |
| Yes | 56 | 41 |
| No | 80 | 59 |
| Total | 136 | 100 |

Source: field survey 2013

From the table above, 56 of the responses representing 41% said Yes that they have current up to date SAP scheme, while 80 of the responses representing 59% said No that they do not have current up to date SAP scheme.

# Question 15

Table 4.1.16 Is there difficulty in the administration of SAP scheme of Nigeria on accounting principles?

|  |  |  |
| --- | --- | --- |
| Options | No of Responses | % of Responses |
| Yes | 85 | 63 |
| No | 51 | 38 |
| Total | 136 | 100 |

Source: field survey 2013

From the above table, 85 of the responses representing 63% said Yes that there is difficulty in administration of SAP scheme on accounting principles, while 51 of the responses representing 38% said No that there is no difficulty in the administration of SAP scheme on accounting principles.

# Question 16

Table 4.1.17 Do you think that SAP schemes are relevant on accounting principles?

|  |  |  |
| --- | --- | --- |
| Options | No of Responses | % of Responses |
| Yes | 69 | 51 |
| No | 67 | 49 |
| Total | 136 | 100 |

Source: field survey 2013

From the above table, 69 of the responses representing 51% said yes that SAP scheme is relevant on accounting principles while 67 of the responses representing 49% said No that SAP scheme are not relevant on accounting principles.

# Question 17

Table 4.1.18 Do you have or use accounting packages?

|  |  |  |
| --- | --- | --- |
| Options | No of Responses | % of Responses |
| Yes | 87 | 64 |
| No | 49 | 36 |
| Total | 136 | 100 |

Source: field survey 2013

From the table above, 87 of the responses representing 64% said Yes that they have or use accounting packages while 49 of the responses representing 36% said No that they do not have or use accounting packages.

# Question 18

Table 4.1.19 Into which sector would you classify your organisation?

|  |  |  |
| --- | --- | --- |
| Option | No of Responses | % of Responses |
| Manufacturing | 52 | 38 |
| Servicing | 44 | 32 |
| Commercial | 28 | 21 |
| N/A | 12 | 9 |
| Total | 136 | 100 |

Source: field survey 2013

# TEST OF HYPOTHESIS

The hypothesis formulated in chapter one will be tested in this section using the chi-square statistical method. For the purpose of time constraint two hypotheses stated in chapter one will be tested.

# HYPOTHESIS 1 QUESTION 1, Table 4.1.2

Ho: There is no significant effect of the Structural Adjustment Programme in the commercial sector on accounting performance.

H1: There is a significant effect of the Structural Adjustment Programme in the commercial sector on accounting performance.

Formula *X*2 =∑ (F0 – Fe)2

Fe

Where X2 = Squared value (chi- square) E = Summation

F0 = Observed frequency

Fe = Expected frequency =n/x which is 136/2=68 X = Number of variable

In determining the degree of freedom the following formula was used = df =(r- 1) =2-1 =1

Where = df = degree of freedom R = Number of rows

C = Number of column

For the level of significance or confidence limit 0.05 of 5% (i.e. 95%) was considered as most appropriate.

# Table 4.1.2

|  |  |  |
| --- | --- | --- |
| Option | No of Response | % of Response |
| Yes | 88 | 65 |
| No | 48 | 35 |
| Total | 136 | 100 |

Source: field survey 2013

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Options | F0 | Fe | F0 - Fe | (F0 – Fe)2 | (F0 – Fe)2/Fe |
| Yes | 88 | 68 | 20 | 400 | 5.88 |
| No | 48 | 68 | -20 | 400 | 5.88 |
| Total | 136 |  |  |  | 11.76 |

Source: field survey 2013 Tabulated X2 = 3.841 Computed value = 22.5 Decision rule

IP X2> X2e reject Ho IP X2 < X2e accept H1

**DECISION RULE**: The researcher will therefore reject the Ho hypothesis and accept the H1 hypothesis which states that there is a significant effect of Structural Adjustment in the commercial sector on accounting principles.

# HYPOTHESIS 2, QUESTION 3

Ho: There is no alignment between structurally Adjustment Programme and Second tier Foreign Exchange Market.

H1: There is an alignment between structurally Adjustment Programme and Second tier Foreign Exchange Market.

The chi – square (X2) test of goodness is given as;

X2 = ∑ (F0 – Fe)2

Fe

Where X2 = squared value (chi – square) E = Summation

F0 = Observed frequency

Fe = Expected frequency = n/x X = Number of variable

Degree of freedom = (r-1) (c-1) Where df = Degree of freedom

R = Number of rows

C = Number of column

Level of significance = 0.05 or 5% (i.e. 95%)

|  |  |  |
| --- | --- | --- |
| Option | No of Responses | % of Responses |
| Yes | 85 | 63 |
| No | 51 | 38 |
| Total | 136 | 100 |

Source: field survey 2013

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Options | F0 | Fe | F0 - Fe | (F0 – Fe)2 | (F0 – Fe)2/Fe |
| Yes | 85 | 68 | 17 | 289 | 4.25 |
| No | 51 | 68 | -17 | 289 | 4.25 |
| Total | 136 |  |  |  | 8.5 |

Source: field survey 2013 Tabulated value = 3.841 Computed value = 8.5 Decision rule

If x2 > x2e reject Ho If x2 < x2e accept H1

**DECISION:** The researcher will therefore reject the Ho hypothesis and accept the H1 hypothesis which state that there is a significant relationship between SAP and SFEM.

# DISCUSSION OF FINDING

The introduction of the Structural Adjustment Programme (SAP) in 1986, for the first time in Nigerian economic history considered exchange rate devaluation as key instrument I n resolving the country‟s economic problems.

Some of the findings are;

1. It was discovered that were widespread over-invoicing of contracts in the public sector leading to large budget deficits.
2. Fraud in international banking transactions are the results of the accumulation of spurious external debts by the country.
3. It was also observed that none of these root causes of the collapse in the exchange market was effectively addressed by SAP.
4. It was noticed that the free market economy produces optional solutions which is severely flawed by inadequate information about rational economic choice.
5. It is was observed also that the introduction of SAP in 1986, for the first time in Nigeria economic history, considered the exchange rate devaluation as a key instrument in resolving economic problems.
6. Also it was found that the reasons why continuous devaluation of the naira exchange rate has not revamped the Nigeria economy, is due to instability of the foreign exchange market.

# CHAPTER FIVE SUMMARY, CONCLUSION AND RECOMMENDATION

* 1. **SUMMARY**

The Structural Adjustment Programme tagged SAP has undoubtedly affected aspects and sphere of Nigeria socio-economy setup, hence it will not be wrong in the least to say that financial accounting which is the lingua-franca for the expression of economic situations and conditions, has been seriously affected. The principles of economic substance over form objectivity, fairness, materiality and prudence which has been the underlying mainstay, governing the selections of accounting policies used in preparation and presentation of economic realities has been affected by the advent of the Structural adjustment Programme.

The SAP measures born out of desires of the present government to find solution to our economic problem has since inception in June 1986 been condoning several salvoes fired at it by critics who believe it can never work.

Though it cannot be said with precision now how many of our economic problems have been solved or how many more have been created as the case may be but one thing is sure, SAP has affected everybody, very organisations; small or big.

Based on the ever-glaring effects of SAP with the scope of this research work, the problem discovered in the course of this research will b thoroughly analysed and appropriate recommendation given.

# CONCLUSION

Critically analyzing the Structural Adjustment Programs, this paper has argued that neoliberal policies have not benefited the developing nations as they have claimed, but have in actuality ensured a dominant position for developed nations in the global economy. Using Africa‟s experience with SAPs as a general example and Nigeria‟s experience as a specific example, it is clear that many SAPs have not met their objectives as set out by the IFIs when implemented. However, critics who consider SAP just another form of neo- imperialism, would debate as to whether the IFIs‟ objectives were realistically intended to be met, or whether the conditions were merely implemented to benefit the developed nations who hold power in the IFIs. Looking at SAP policies as a form of neo-colonialism, this paper has argued that SAPs, both in the 1980s and the 1990s, have had a negative impact on Nigerian economies and populations. In addition, this paper has outlined some of the changes and improvements made to neoliberal policies and structural adjustment over the past thirty years, as well as some possible future directions of neoliberal development polices, specifically in reference to the alleviation of poverty. Though the International Finance Institutions have made an effort to move towards a focus on poverty-reduction development policies, they still rely on the neoliberal agenda, a reliance that needs to be reconsidered.

# RECOMMENDATION

At this juncture, the government should realise that the successful implementation of any programme is a function of accountability, co-ordination and good financial control.

For the programme to succeed, the expertise of accountants should be sort for this great service to the nation.

The way forward is clear the open-minded whose love for the country and its people‟s suffering is greater than his/her interest. The recommendations are:

* + 1. More accountants are needed to head our ministries and government parastatals so that the concept of accountability, which is receiving wider acclaim, could be better buttressed in action than in words.
    2. The Federal Government should stop listening to foreign advice on exchange rates due to the fact that, this causes instability in an economy‟s valuation of price and may lead to inflationary crisis.
    3. The Central Bank of Nigeria (CBN) should put in place on ingenious foreign exchange mechanism such fixed and floated rate mechanism, which penalises all speculators against the naira with a view to appreciating the naira as quickly as possible.
    4. The government should allocate more of its budget estimates on the manufacturing and production sector of the economy, thereby reducing the chance of experiencing currency devaluation as a result of import activities.

# BIBLIOGRAPHY

Abdulrazaq, M. T. (2002). *Chartered Institute of Accountants of Nigeria*. Lagos: Longman Press.

Ani, A. P., & Uche, I. (1989). *Companies’ Income tax and Petroleum Profit Tax in Nigeria*. Ibadan: Ibadan University Press Ltd.

Ani, W. U., & Ugbor, R. O. (2010)*. Companies’ Income Tax in Nigeria*. Enugu: Oce Press.

Baiyewa, P. A. (2002). *Nigeria Taxation: A Practical Approach*. Bhote, London: International Publishing Limited.

Bired, R. M., & Oldman, O. (1975). *Reading on Taxation in Developing Countries*, (3rd Edition). Baltimore and London: John Ito Plans University Press.

Brooks, N. (2001). *Key Issues in income tax challenges of tax*. London: Prentice Hall Inc.

Duce, U. E. (2003). *Managing the challenges of corruption in Nigeria*: *Centre for Social Justice and Human Development (CSJHD).* Lagos: Sacraments Publishers.

Emeni, F. K. (2000). “Tax Administration in the 21st Century”. Critical challenges. *ICANNEUNS*. Vol 5 No 1 January and March.

Groves, H. M. (1974). *Tax Philosophers*. London: The University of Wisconsin Press.

Harvey, J. (1982). *Elementary Eonomic*, (5th Edition). London: Macmillan Educational limited.

Mikesell, J. L. (2003). „Internal Experience with Administration of local taxes‟.

*A Review of Practices and Issues Source at http/*[*www.worldbank.com.*](http://www.worldbank.com/)

Musgrave, R. A., & Musgrave, P. B. (1989). *Public France in Theory and Practice,* (5th Edition). Singapore: Mc-Graw Hill Publishers.

Nalyeju, J. K. (1997). “Critical Issues in Taxation and tax Management in Nigeria”. *Nigeria Tax News*. Vol No. 2, April-June.

Ndulue, J. C. (2000). *An Appraisal of Nigeria Tax System*: *Priniciples of Nigeria Personal Income Tax (NPIT)*. Enugu: Precision Praters and Publishers.

Nweke, M. M. (1988). *Anatomy of Nigeria Taxation*. Onitsha: Elton Nigeria Limited.

Okepe, I. J. (1998). *Structural Adjustment Programme in Nigeria*. Enugu: New Generation Books.

Ola, C. S. (1985). *Nigeria Income Tax Law and Practice*. London: Macmillan Publishers.

Osuala, E. C. (1990). *Introduction to Research Methodology*. Onitsha: Africa Publishing Press.

Rosen, H. S. (1995). *Public Finance,* (4th Edition). London: Mc-Graw Hill Companies.

# APPENDIX A

Department of Accountancy, Caritas University,

P.M.B 01784, Amorji-Nike, Enugu State.

Dear Sir/Madam

# LETTER OF INTRODUCTION AND REQUEST

I am a final year student of the above institution in the department of Accountancy. I am conducting a study on the topic: “The Effect of Structural Adjustment Programme on accounting principles”.

The success of this work depends greatly on your co-operation in providing objective answers and information to those questions behind. All information supplied will be treated in strict confidence and used only for the purpose of academic research.

Thank you very much.

Yours faithfully Nwakamma .O. Paul

# APPENDIX B SECTION A PERSONAL DATA

Please tick [ ── ] where appropriate Position (Rank)…………………………

Grade level………………………………

Academic Qualification(s)

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| 1. (a) | Ph.D | [ | ] | (b) | M.Sc. | [ | ] |
| (c) | B.Sc. | [ | ] | (d) | School Cert. [ | ] |  |

(e) Others [ ] specify………………………………

2. Sex: Male [ ] Female [ ] 3. Age: 20-30[ ] 31-40[ ] 41 and above[ ]

1. Marital status: Married[ ] Single[ ]
2. Post held: Manager [ ] Accountant [ ] Cashier [ ] others; specify………………………………………………
3. Religion: Muslim[ ] Traditional religion[ ] Christianity[ ]

# SECTION B

**OTHER INFORMATION**

1. Has the Structural Adjustment Programme in commercial sector improved accounting performance?

Yes [ ] No [ ]

1. How does SAP in accounting department of your company affect the profitability of financial report?

Yes [ ] No [ ] Indifferent [ ]

1. Is there any significant relationship between Structural Adjustment Programme and Second Tier Foreign Exchange Market?

Yes [ ] No [ ] Indifferent [ ]

1. Does the Structural Adjustment Programme reduce the hardship of the common people?

Yes [ ] No [ ]

1. 6 Do you see any of these methods as presenting the true profit since the introduction of SAP?

Yes [ ] No [ ] Indifferent [ ]

1. In view of SAP, do you still consider the historic cost based accounting?

Yes [ ] No [ ]

1. Do you agree that the going concern assumption should become the exception rather than the rule accounting?

Yes [ ] No [ ] Indifferent [ ]

1. Do you agree that under SAP, any upwards revaluation of assets should be considered as permanent and therefore written into profit and loss account?

Yes [ ] No [ ] Indifferent [ ]

1. Do you attend regular training or workshops on SAP?

Yes [ ] No [ ]

1. Do you think the SAP is adequately funded?

Yes [ ] No [ ]

1. Are you satisfied with your remuneration?

Yes [ ] No [ ]

1. Do you agree that some of the SAP scheme are manipulated and corrupt?

Yes [ ] No [ ]

1. How does the corruption of some of SAP scheme affect its objectives?

Positively [ ] Negative [ ]

1. Do you have current up to date of SAP scheme?

Yes [ ] No [ ]

1. Is there difficulty in the administration of SAP scheme of Nigeria on accounting principles?

Yes [ ] No [ ]

1. Do you think that SAP schemes are relevant on accounting principles?

Yes [ ] No [ ]

1. Do you have or use accounting packages?

Yes [ ] No [ ]

1. Into which sector of the economy would you classify your organisation?

Manufacturing[ ] Servicing[ ] Commercial[ ] Indifferent[ ]