

# **THE ROLE OF THE ACCOUNTANT IN MODERN BUSINESS ORGANISATIONS**

**BY**

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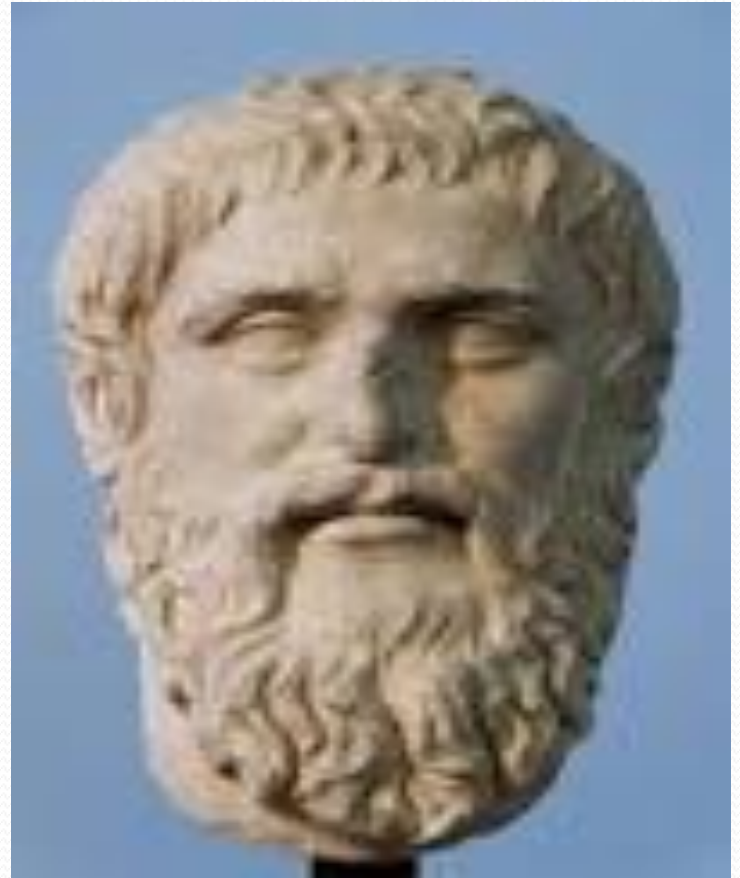
# Outline

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## INEC – PVC Collection Poll by Participants

“The price good men pay for indifference to public affairs is to be ruled by evil men.”

**Plato** Ancient Athenian philosopher; pupil of Socrates; teacher of Aristotle (428-347 BC)



# Introduction

Business organizations are setup with the principal objective of creating wealth for the owners. Modern business organizations can take any of the following forms: Sole Proprietorships, Partnerships or Limited Liability Companies.

Modern organizations are increasingly becoming more complex (and in many cases global) thereby engendering the need for complete, transparent, reliable and accurate information that can be accessed quickly. This is particularly germane as the gulf between ownership and management has grown wider in line with global best practices and most large business organizations are owned by a broad and disparate set of shareholders.

The table below shows the number of shareholders in a few selected publicly quoted banks in Nigeria:

TABLE 1: SHAREHOLDING ANALYSIS OF SELECTED BANKS (2012 -2013)

S/N	NAME OF BANK	NO. OF SHAREHOLDERS
1	Access Bank Plc	841,385
2	Diamond Bank Plc	119,898
3	Ecobank Nigeria Ltd	657,557
4	FBN Holdings	1,300,000
5	FCMB	531,816
6	Guaranty Trust Bank Plc	350,140
7	Sterling Bank Plc	88,474
8	United Bank for Africa Plc	282,432
9	Union Bank Plc	484,594
10	Unity Bank Plc	79,817
11	Wema Bank Plc	254,775
12	Zenith Bank Plc	681,983
Researchers' Compilation		

# Introduction – Cont'd

These shareholders require the information relating to their various organizations in order to make ongoing decisions – which can range from deciding to invest more and hold more shares, sell off part or all of their holdings, take critical decision on the management and boards of the banks etc. Furthermore, other stakeholders need the information to make decisions relating to lending, taxation, employee benefits and remuneration. It is important to note that the quality of decisions that investors can make is largely dependent on the quality of information available to them.

# Introduction – Cont'd

- This information can be classified into quantitative (financial) and qualitative (non financial). However, financial information is of great significance, as it requires a reasonable level of skill to interpret and use. Enofe & Isiavwe (2012). There is therefore a critical need to have knowledgeable men and women (otherwise known as accountants) employed in all organizations to provide the required information as and when needed.





# Not - For - Profit Organizations

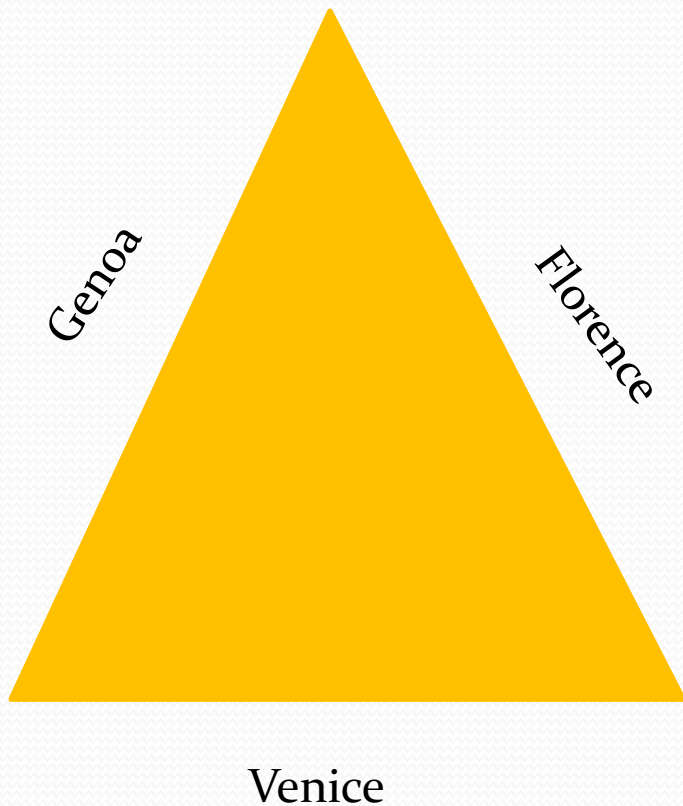
It is instructive to note that there are also not-for-profit organizations like Non-Governmental Organizations (NGOs), Foundations and Government establishments with social and developmental objectives.

One thing that is however common to all organizations is that the accountant plays a vital role towards the successful achievement of their strategic objectives by ensuring that the critical ingredient required for decision making is prepared and presented in the required format.



# Review of Extant Literature - The Evolution of Accounting

## The Italian Golden Triangle



## The Concept of Accounting

- ✓ Accounting emerged in Italy in the 13<sup>th</sup> Century.
- ✓ The Italian Golden Triangle
- ✓ Ananias Littleton's Antecedents of:
  - ✓ Material (Private Property, Commerce, Capital and Credit)
  - ✓ Language (Writing, Money and Arithmetic). Kam (1990)

# The Evolution of Accounting

- Cotrugli – Had small to average dreams
- Pacioli – Had Big Dreams. Interacted with great people
- Guttenberg Founded the Printing Press
- Pacioli's Summa was published in 1494
- Ancient civilizations did not have these antecedents in the right intensity.
- Double entry emerged in Italy in the 13<sup>th</sup> Century because these elements were all strongly present at the right intensity.
- Accounting Historians therefore talk about the evolution of Accounting

# Definition of Accounting

**Accounting as an art - {American Institute of Certified Public Accountants (AICPA) 1953}**

**Drury (2009) - Accounting as a Process - {American Accounting Association -AAA}**

Drury (2009) provides the definition by The American Accounting Association (AAA) which states that **accounting** is the process of identifying, measuring, and communicating economic information to permit informed judgments and decisions by users of the information.

An **accountant** is therefore regarded as a practitioner of accounting (or accountancy). Accountants have the primary responsibility in the organization for managing, correcting, and reporting the organization's accounts, hence the name of the profession. **Solution Matrix Ltd. (2015)**

# Definition of Accounting – Cont'd

## **Accounting as a service activity –**

It serves to provide quantitative information, primarily financial in nature, about economic entities that is intended to be useful in making economic decisions and choice amongst courses of action {Accounting Principles Board (APB) 1970}.

Accounting is often referred to as the heart of an organization because the financial health of the organization can easily be discerned from the financial statements such as the Balance sheet, Profit & Loss accounts and Cash flow statement.

The other contents of financial statements include Value added statement, Five year financial summary, Auditors report, Directors report, Notes to the account, Statement of accounting policies and Group financial statement where there is a subsidiary.

# Fields of Accounting

Accounting can be broadly ramified along the following lines:

- Management accounting
- Financial accounting and
- Cost Accounting

## Management Accounting

Management accounting plays a major role in helping managers carry out their responsibilities. The reporting is flexible as the information is used by the internal management for decision making Okoye (2011). The reports are essentially tailored to the needs of individual managers. The management accountant thus supplies *relevant, accurate, timely information* in a format that will aid managers in making decisions.

In preparing, analyzing, and communicating such information, accountants work with individuals from all functional areas of an organization. Collins (2015).

# Fields of Accounting – Cont'd

Management accounting (a) emphasizes the future, (b) aims to influence the behavior of managers and employees in achieving the goals of an organization, and (c) is not particularly constrained by generally accepted accounting principles (GAAP) or International financial reporting standards (IFRS). Retrieved from [http://wps.prenhall.com/wps/media/objects/5791/5930424/cost13\\_study01.doc](http://wps.prenhall.com/wps/media/objects/5791/5930424/cost13_study01.doc)

## **Financial Accounting**

Collins (2015) further states that Financial Accountants prepare the financial statements which include the income statement, the balance sheet, and the statement of cash flows—that summarize a company's past performance and evaluate its financial health. In preparing financial statements, they adhere to a uniform set of rules - GAAP or IFRS. Knowing that financial statements have been prepared according to these standards assures users that reported information is accurate. They are also confident that they can compare statements from one company to those of another in the same industry.

# Fields of Accounting – Cont'd

## **Cost Accounting**

Cost accounting - measures and reports financial and nonfinancial information relating to the costs of acquiring or utilizing resources in an organization. Cost accounting provides information for both management accounting and financial accounting.



# Consumers of Accounting Information:

Consumers of accounting information include the following key parties:

- **Owners and Managers**
- **Investors and Creditors**
- **Government Agencies**
- **Regulatory Agencies**
- **Employees**
- **Suppliers**
- **Labour Unions**

# Who is an Accountant?

According to *Susan Davis (2015)*, an accountant is a person who performs financial functions related to the collection, accuracy, recording, analysis and presentation of a business, organization or company's financial operations. The accountant usually has a variety of administrative roles within a company's operations. In a smaller business, an accountant's role may consist of primarily financial data collection, entry and report generation. Middle to larger sized companies may utilize an accountant as an adviser and financial interpreter, who may present the company's financial data to people within and outside of the business. Generally, the accountant can also deal with third parties, such as vendors, customers and financial institutions.

# Who is an Accountant? – Cont'd

*Linda Ray (2015) on the other hand believes that the accountant at a company can serve many roles, from overseeing the preparation of all financial documents related to the company to implementing financial strategies created by management or making investment decisions for the firm. As a chief accountant, you may sit on the upper management team to play an integral part in developing long-term goals. In a larger business, you might also supervise a team of financial professionals.*

Indeed, the modern business environment has changed drastically in a short time. Business technology has advanced business functions and operations to levels not previously believed possible. The role of accounting and business is perhaps one of the most reliable functions in business.

While a few basic procedures or methods have changed, the purpose of accounting remains the same. Business owners often use accounting to measure the financial performance of their companies and make business decisions. (Vitez 2015).

# Who is an Accountant? – Cont'd

In summary, an accountant is someone that meets the following criteria:

1. The standards of a professional body such as the institute of Chartered Accountants of Nigeria (ICAN), the Association of National Accountants of Nigeria (ANAN) or other globally recognized accountancy bodies.
2. Have skills, knowledge and expertise tested by examination and Mandatory, Continuous Professional Education conducted by the professional body.
3. **Committed to the values of accuracy, honesty, integrity, objectivity, transparency and reliability and**
4. Subject to oversight by a Professional body with disciplinary powers.

# Qualities of an ideal accountant:

**On average, the accountant must possess the following skills at a minimum:**

- Financial management and Accounting Skill.
- Budgeting and Financial forecasting skill.
- A self-starter who is organized, disciplined and goal orientated.
- Good working knowledge of Information Technology
- Good organization and Management skill.
- Cash Disbursement and Record Keeping skill.
- Good analytical and reasoning skill.
- Good leadership and supervisory skill.
- Capacity to interact with people at all levels.
- Honesty and integrity.
- Dynamic and creative in his or her approach to problems
- Broad minded and focuses on the big picture

# Job Titles of Accountants in Modern Business Organizations

- ❖ Group Chief Finance Officer
- ❖ Group Finance Manager
- ❖ Financial Accounting & Reporting Officer
- ❖ Revenue Assurance & Credit Control Officer
- ❖ Treasury Accountant
- ❖ Management Accountant
- ❖ Cost Accountant
- ❖ Revenue Assurance Accountant
- ❖ Revenue Assurance Officer
- ❖ Chief Dealer – Foreign Exchange or Local Currency
- ❖ Finance Director
- ❖ Chief Accountant
- ❖ Internal Auditor
- ❖ Chief Internal Auditor
- ❖ Chief Operating Officer
- ❖ Chief Executive Officer
- ❖ Chief Information Officer
- ❖ Chairman
- ❖ Executive Director or Non-Executive director.

# Practical Perspectives

The role of the Accountant in ensuring the quality of financial reporting cannot be over emphasized. Although Management is responsible for the financial information produced by the company, Accountants are in the frontline of safeguarding the integrity of financial reporting. Therefore, the accountant is an important asset to the company because he has the key skills required to speak the language of business.

As young graduates from the university, your primary task is to demonstrate mastery of the subject of accountancy and take your professional examinations. You can do this whilst working in any organization of your choice or where there is a suitable vacancy.



# Practical Perspectives – Cont'd

Recall Ecclesiastes 3:1 “To everything, there is a season, and a time to every purpose under heaven”. Ladies and Gentlemen, your first few years out of the university are a time to get well-grounded from a professional standpoint. It can be simply described as making a name for yourself. **It will be a huge mistake to go first after money as a top or first priority out of school.**

Having obtained the professional qualification, you then employ the principles of Timeliness, Effectiveness and Efficiency (TEE) in your work – whatever it is. This could be in any of the fields listed above including internal audit to provide independent assurance to management that the organization's risk management, governance and internal control processes are operating effectively.

# Practical Perspectives – Cont'd

You could also be a financial officer having oversight over matters relating to the company's financial health. Other areas include external audit engaged with reviewing the books of accounts of client companies in line with regulations.

You could also be employed as a Bank staff to work in any of the departments or divisions including Operations, Marketing, Credit Administration, Internal Audit, Internal Control, Customer Services, Information Security, E-Business; Product Development; etc. In all of these roles, the accountant must carry out his /her duties using the TEE framework.

Based on the level of performance of the accountant; and the efforts made at self-development; you can then move upwards and outwards onto other fields like Information Technology (IT); System Security Practice; Oil and Gas; Agriculture, Telecoms Marketing; Business Strategy, Compliance etc.

# Practical Perspectives – Cont'd

Within The IT space, you will be part of the custodians of the IT infrastructure of the organization. This includes the main (banking) application; Hardware in use, software, networks, telephones, printers, UPS facilities etc. You will also be required to provide support from the various domains of the IT infrastructure especially utilizing your budgeting, planning and job scheduling skills as well as your compliance and control skills.

As a system security practitioner, you will be required to ensure the continuous maintenance of the Availability, Integrity and Confidentiality (AIC) of the IT infrastructure and other manual sources/receptacles of information.

If you find yourself in Oil and Gas, you will be required to grow the business and provide service to clients in this sector. The same thing applies to the Telecoms Marketing and Agricultural sectors.

## Practical Perspectives – Cont'd

With regard to the Business Strategy Function, you will be required to coordinate and craft a practical business strategy for the organization in conjunction with Top Management and to drive the achievement thereof.

The Compliance role involves monitoring all of the activities of the business to ensure that they are carried out in line with the applicable regulations especially from a Legal perspective in order to ensure that there is no reputational damage to the organization.

# The Accountant As A Leader

- Indeed, every accountant in the industry is a leader. Amongst other key functions performed, leaders motivate and get people to achieve targets or goals (Koontz, O'Donnell & Weihrich 1984). As a leader, you must strive to create an upward spiral; Weir (2015).
- Weir (2015) further states that leaders create the environment at the work place.

# The Accountant As A Leader

- The environment could be one of mediocrity, failure or success. Where a leader creates an environment of success, then he/she and the people being led will succeed as well, which strengthens the environment for future success. The upward spiral therefore continues. This is also scriptural: **Unto he that hath... Matt25:29**



# Buzz Words In Business Organizations

Some Buzz Words In Business Organizations include the following:

- ❑ Cloud Computing
- ❑ Office 365
- ❑ Virtualization
- ❑ URL
- ❑ Best Practices
- ❑ International Standards

- Talent Management
- Rapid Improvement Events
- Corporate Governance
- Synergy
- Game changer
- New paradigm
- Win win
- Thinking out of the box
- Deliverable
- Multitasking
- Customer Focused
- Value Addition



# Key Challenges that Accountants Face

Poor Data Quality

Non Reliability of Records

Constant Change in Technology

Incompetent Staff and colleagues

Absence of Standard Operating Procedures (SOPs)

Pressure from Customers and Business Associates

Lack of willingness by borrowers to pay back

Lack of respect for contracts

Pressure from the Larger Society

Menace of Fraudsters – Cyber Thieves and Identity Thieves

Get Rich Quick Syndrome

Reluctance/Refusal to follow Policy (**Career Limiting**)

Blind Trust for Colleagues, Peers and Supervisors (**Career Limiting**)

# Recommended Solution

- What is Responsible for the Problem?
- Why is it happening?
- What Action can be taken to fix it?
- Who can take the required Action?
- When Can the required action be taken?
- What is the Cost Involved?

- **What**
- **Why**
- **Who**
- **When?**

# CONCLUSION

Traditionally, the role of the Accountant in Business involves implementing and maintaining operational controls, providing analytical support for strategic planning and decision making and ensuring that effective risk management processes are in place. The role of the Accountant in Business is therefore, critical to the financial health as well as the reputation and credibility of the business organization and its management.

You must all go into the world and to your respective organizations as full fledged Accountants and be ready to take up the challenges of your different positions as the performance expectations are high in modern organizations.

The value of accountants will be measured by the extent to which they are perceived to be accountable not only to their own organizations but more importantly to the public. Their ability to continue to fulfill these roles in the face of constant environmental changes is vital to their continued relevance.

# CONCLUSION – Cont'd

My deepest concern however is that some people attend events and nothing will change in their life afterwards. They will enjoy every bit of the program but will later fail to implement any of the ideas presented to them. May your case never be like that.





**THANK YOU**

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