



HISTORY AND EVOLUTION OF ACCOUNTING IN NIGERIA: ISSUES AND CHALLENGES

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ABSTRACT

It is a well-known fact that accounting is a major element in national economic development. Without it, one can imagine how modern businesses can survive to meet the needs of a nation. Accounting is a social science that always moves with time to meet the need of its various users, through the production of useful financial information. Given the current development in the business world as a result of technological advancement, there is a need for the accounting profession to develop the techniques necessary to meet the current changes. This can only be possible, if the accountants can go back to history and evaluate the previous techniques used and compared them with the current techniques in use to improve or develop new techniques to meet the current challenges. Therefore, this study focuses on the history and evolution of accounting in Nigeria and the identification of issues and challenges facing the accounting profession today. Some of the challenges identified were; inadequate funding, scarcity of accounting professors, insufficient accounting research and professional development, and lack of equipped accounting institutions. Also, the paper briefly discussed the development of Islamic Accounting.

Keywords: Accounting history, evolution, Nigeria, Issues, Challenges, Islamic Accounting



1. INTRODUCTION

Accounting is a social science like other social sciences; they are subject to change depending on economic conditions. Accounting adapts to changes to meet the needs of the users of accounting information by providing them with useful information. Accounting has been defined by many scholars, authors and researchers. But the most widely accepted is the one defined by The Committee on Terminology of the American Institute of Certified Public Accountants as: ‘the art of recording, classifying and summarizing in a significant manner and in terms of money, transactions and events which are, in part at least, of a financial character, and interpreting the results thereof’. Belkoui (1983) defined accounting history as the study of the evolution in accounting thoughts, practices and institutions in response to changes in the environment and social needs. It also considers the effect that this evolution has worked on the environment.

Accounting as a profession or career of study like other disciplines has a beginning. Any discipline of study has a biography to enable the intended users to obtain facts and ideas concerning the discipline. Accounting history deals with facts and findings behind the profession. To the historian, facts are of little value unless there are causes of the phenomena. The reason behind accounting history is to appreciate some pattern of growth in the field of study. It is a known fact that examination of past events enables us to appreciate the complexity and persistence of many problems presently facing an individual, group, or society. This should therefore help to guard against previous judgments and premature adoption of non-tested principles, price of policies and techniques.

Every organization uses accounting: private or public, small or multinational. Large organization needs accounting to keep track of their transactions. Accounting became so important because it provides useful financial information that helps an organization to make quality decisions. Despite the numerous importance of accounting to man, Akinyemi, Okoye and Izedonmi, (2015) observed that there are many controversies in the profession, both local and international; such as accounting policies, principles, concepts, conventions and standards. It is the effort of the International Accounting Standard Board (IASB) to harmonise and bring out a single standard to be observed globally by accountants to meet the yearning need of the users since businesses are now becoming global. This can only be possible



when we know where we are coming from and where we are now, and then we can predict where we want to be. And this is only when we go through our history.

Therefore, this paper aimed at reviewing the history and stages of accounting development, the importance of accounting history, institutional development of accounting practices, challenges of accounting education in Nigeria, early development of double-entry bookkeeping, accounting vs bookkeeping, and history of Islamic accounting. This will help in the development of accounting and actualize the mandate of producing globally relevant accounting professionals.

2. LITERATURE REVIEW

Development of Accounting History

The evolution of accounting is related to the development of civilisation where the accounting practice developed to meet the needs of each civilization. Accounting scholars agreed that it can be traced back thousands of years to the cradle of civilisation in Mesopotamia and is said to have developed alongside writing, counting and money which is before Luca Pacioli Era (Akinyemi, Okoye & Izedonmi, 2015). The early Egyptians and Babylonians created auditing systems, business records and treasury roles, while the Romans collated detailed financial information for tax purposes. The evidence of accounting existence was supported by archaeologists and historians who discovered the oldest city of Jericho as a trade centre for salt. It was evidenced in this city that no complete accounting was there but the artefacts revealed remains of a temple priest taking inventory of the village livestock using tokens to keep track of the herd size and count the grain harvest (Mattessich, 1989).

Through fossils and records discovered not only in Jericho but other parts of the world, it can be concluded that before men knew the concept of money, the process of stewardship was known. This led Balogun, (2008) to state that in the primitive days, the man started his transactions with his fellowmen with the method of “RADE BY BARTER” thus; the need for record keeping. Also, the advent of money and the consequent increase in the number of transactions make the keeping of records and accounts unavoidable. Later on, the complexity of modern business transactions necessitates the voluminous accounts keeping and ultimately the scientific examinations of accounts as we have today.



Evolution of Accounting Before Double Entry System

The early development of the accounting system is traceable to the most ancient cities of Mesopotamia between 450 and 500 BC, (Keistar, 1965). The coin was invented in Greece and Rome about 630 BC (Chatfield, 1977) when the accounting system was concerned with the recording of merchants, temples and estates (FU, 1971). Keister (1965) described the use of clay tablets impressed with the markings of the Cuneiform script by the Scribe, a forerunner of the present-day accountant. The system though relatively simple by modern standards; the Mesopotamia economy did not require a more advanced system to record its transactions of grain involving several individuals, a system of record keeping which is a clear demonstration that accounting is socially constructed. The system of estate records in the Athenian Empire by Zenon in terms of data collection, recording and analysis by several individuals was as part of responsibility accounting (Chatfield, 1977). This system employed by Zenon Papyri concerning data collection, recording and analysis was sufficient to detect error, fraud and inefficiency in the system. The Zenon Papyri approach had little concern for decision-making, efficiency or profitability, and perhaps this feature might invalidate a lot of work that went into the operating system (Glautier & Underdown, 2001).

The Zenon system was developed in the 5th Century BC and later modified by the Romans. Goldberg (1949) saw the modification of Zenon in ancient Rome as the memorandum book and the monthly transfer of entries to the ledgers (in Greek 'codex tabulae') from which today's ledger has derived its name 'codex'. This system of recording in ancient Greece and Rome according to Goldberg (1949) and Chatfield (1977) indicates that the accounting systems were mainly concerned with recording and exposing losses due to theft, fraud, inefficiency and corruption. It was not for decision-making and asset protection. Gulman (1939) added that the accounting system at that time avoided financial reports to outsiders or determination of income or tax due to government and allies. The system still reveals that the accounting system at that time was of course fulfilling the societal needs and expectations of the users of the information.

Accounting systems that were mostly feudal and expansionist for merchants and estates in China, under the Chou dynasty (1122-1256), allowed for large physical distances and several layers to ensure compliance, (FU, 1971). The surplus products however were collected for export exports and were used outside China



(Yameh, 1940). The system covers several officials and large distances to ensure good administrative control through the appointment of higher-level officials as auditors who report at periodic stringent and appropriate penalties for non-compliance by defaulters (Yameh, 1980). Ahmed (2000) argued that it was the funds accounting system that was in existence. The source of the goods, the purpose for which they were used, the frequency of taxes being levied and each tax ceiling were all the bases of the accounting system. Nwoko (1990) in a similar vein observed that the earliest records known, which pre-date the monetary economy, were all accounting records and were of ancient Middle Eastern Civilisation of Egypt, Greece, and Babylon. These were mainly records of physical quantities of goods.

Stages of Accounting Development

Apart from this regional grouping of the historical development of accounting, Dabor (2008) identified the following four stages in accounting development: The Pre-Capitalist period, 4000BC-1000 AD, Commercial Capitalism 1000-1750, Industrial Capitalism, 1760-1830, and Financial Capitalism, 1830 to date.

Pre-capitalist Period, 4000BC-1000 AD

This period begins with the Babylonian civilization and ended through the Greek and Roman era to the period of the "dark ages". The need for record-keeping stemmed from the growth in agriculture and exporting excess through trade which grew up within and outside the very fertile Mesopotamian valley. The records quite naturally assumed a form appropriate to an illiterate community, with changes made as society became more sophisticated. Some primitive form of record was the knotted card; inscriptions on clay tablets; writing on papyrus and paper, and the rudimentary form of profit calculation were made from the record of goods and cash. The features of the pre-capitalist period are; those who held religious, military and political power or status accumulated wealth. The era is a non-economy period; the account is mainly kept for public work by the government, lists of cattle and goods on landed estates, army pay sheets and so on.

Commercial Capitalism 1000-1750 AD

In this era, money was invested in stock-in-trade and, when sold for cash, the proceeds were used to acquire more stock. The investment was mainly short term



and little was invested in fixed assets. The development of Mediterranean commerce during and after the Crusades, which lasted from the eleventh to the thirteenth centuries, signalled the advent of commercial capitalism. Between 1000 - 1300 AD, new social and economic order began to take shape in Britain. Itinerant Merchants, trade fairs, and towns were observed. As a result, there was an improvement in business social and political activities. In the fourteenth Century, there was a total reflection of commercial capitalism in certain parts of Europe, associated with geographical discoveries, colonization, and a huge increase in overseas trade. Capitalists protected by • Government controls, subsidies and monopolies made profits chiefly from the transportation of goods. Because of the rapidly changing, in commercial activities and environment; a single system of accounting changed to double-entry bookkeeping.

Industrial Capitalism, 1760-1830 AD

This was the period when Britain experienced the Industrial Revolution as a result of the production of high-quality iron ore and the invention of new potential for industrial use pioneered by Abraham Derby. In addition, in Nineteenth Century, the use of machines in manufacturing, and the development of the factory system marked the emergence of Industrial capitalism. The abundance of labour also contributed to industrial capitalism; Labour was surplus because of low infant mortality. Textiles were first industrializing, followed by pottery making, mining, iron making and transportation. This period used a double-entry system instead of a single system because it proved better for control purposes, and facilitated the preparation of final accounts which could be used as the basis for the evaluation of performance and resource allocation decisions. It should be noted that the industrial revolution occurred at different times in different countries.

Financial Capitalism, 1830 AD to Date

The need for capital to finance large-scale industries as a result of the industrial revolution was the main factor that characterised the beginning of this era. A capital project such as the Liverpool and Manchester Railway was opened in 1830. This attracted the capital market where securities can be traded. Commercial activities at this time were on a large, scale. As a result, financial data was therefore required, on an unprecedented scale to help ensure that the planned project was soundly conceived, to monitor cost during the construction stage, and to report



results when the line became operational. These developments gave particular emphasis to a wide range of accounting: problems, including the following: The separation of capital expenditure from revenue expenditure, valuation of fixed assets; calculation of periodic profit and the appropriate form and content of financial statements published for the shareholders.

The kinds of accounting problems which resulted from railway development in the 1830s and 1840s gradually became more broadly based. Consequently, the demand for accountancy professionals became so high, professional bodies started springing up. Italian Monk and Mathematician, Luca Pacioli, brought this system to record. David and Wayne (1996) said that in 1494, Luca Pacioli, Published the first known text to describe a “comprehensive double entry book-keeping system” which was developed into the needs of the Italian Mercantile brandings practices in that period. Dempsey and Matthew (1984) concluded that the double entry system replaced the single entry as a result of the industrial revolution, the increase in corporate business and the advent of income taxation, more sophisticated financial information was called for.

In Nigeria, record keeping has antecedents in the ancient kings and empire and prominent than was the periodic contributions which were recorded on the wall but the granting of royal character to Royal Niger Company was almost the same as the ones in Britain. In 1965, the Institute of Chartered Accounts of Nigeria was established and, affiliated with the Professional Institutes, in Britain and with a legal regulatory framework, with successive Companies Acts adding to the accounting and audit obligations imposed on Directors.

Importance of Accounting History

Accounting history is essential to accounting pedagogy, policy and practice. A good rationale for the relevance of history in pedagogy: appreciate the intellectual heritage, thought, major contributors and crucial positive studies may be lost, empiricists risk basing investigations on incomplete or unjustified claims about the past.

John (1989) identified the following three reasons for accounting history: Recreational, Intellectual, and Problem-solving.



Recreational: many researchers study accounting just for pleasure and the prestige that the profession has not with the intention of knowledge contribution. These groups of accountants feel so pompous about the profession because they belong to one of the accounting bodies in the Country.

Intellectual: The study of accounting history helps us to understand our past and gives us an appreciation of how our current practices and problems came into being. Some accounting researchers have a special, interest to trace the history of accounting, and obtaining facts to reconcile issues that may confront them when discharging their professional duties.

Problem-Solving: the study of accounting history provides us with insights into the solution of present-day accounting problems and helps predict future likely developments. In short, it is a known fact that the examination of past events enables us to appreciate the complexity and persistence of many problems presently facing accounting studies and professionals. This should therefore help to guard against previous judgments and premature adoption of non-tested principles, price of policies and techniques.

Institutional Development of Accounting Practices

Accounting in recent years, has made a significant impact on socio-economic and political development, especially on recording, preparing, interpretation, auditing and management and investment. Other impacts include merger, acquisition, planning, controlling, and storage of business operations. Above all, is the impact on the decision-making process (Remi, 2006). Gautier and Underdown (2001), observed that regional grouping of accounting associations indeed developed accounting principles, peculiar to their culture, religion, government policies, and political and socio-economic environment. These were later absorbed into the International Accounting Standards Committee work plan. This approach assured determination and comparability of profit, revenue, expenses, net assets, and liability internationally. Accounting bodies now regulate and ensure compliance to the application of GAAP, (Adeniyi, 2004). The institutional structure of the accounting profession made possible the formation and amalgamation of various accounting bodies in 1965.



By 1970, the Institute of Chartered Accountants of England and Wales (ICAEW) formed an Accounting Standard Steering Committee (ASSC) now called Accounting Standards Committee (ASC). Early Committee members include; the Institute of Chartered Accountants of Ireland (ICAI: 1970), the Association of Chartered Certified Accountants, (ACCA, 1973) Institute of Management Accountants, (ICMA, 1976) and the Chartered Institute of Public Finance and Accountancy (CIPFA: 1976). Others include Financial Accounting Standard Board (FASB); European Economic Community (EEC) now European Union (EU), Security and Exchange Commission (SEC), and Financial Reporting Standard Board (FRSB). They were saddled with the responsibility of reviewing standards on Financial Accounting and reporting and publishing consultative documents on maintaining and advancing accounting standards. Also to propose to the councils the best statements of standard accounting practice. Consultation was usually made with representatives of finance, commerce, industry, government and other persons concerned with financial reporting. This, however, resulted in uniform accounting standards and practices all over the world (Nwoko, 1990).

Accounting Standards Setting in Nigeria

According to Mootze (1970), Postulates, assumptions, tenets, principles, rules, laws, and theories constitute the basis of practising accounting. Violation of GAAP may result in qualifying the financial reports. Treatment of incomes, expenses, assets and liabilities, should adhere to the normal accounting standards. Otherwise, there will be no basis for truth and fairness in the financial report (Robert, 1999). The development of accounting standards in Nigeria is the responsibility of the Nigerian Accounting Standard Board (NASB), now known as the Financial Reporting Council of Nigeria (FRCN).

According to the Institute of Chartered Accountants of Nigeria (ICAN) (2009), the Nigerian Accounting Standard Board (NASB) was established in September 1982 with the responsibility of developing accounting standards to be observed in the preparation and presentation of financial statements in Nigeria. Its first legal authority was the provision of Sec. 335 (1) of CAMD, 1990 which requires that financial statements prepared in Nigeria shall comply with the “Statement of Accounting Standards (SASs)” issued by the Nigerian Accounting Standard Board. Currently, the full legal authority of the NASB is provided by the Nigerian Accounting Standards Board Act, 2003 which contains a wide range of provisions



on the establishment, finances and powers of the Board. And the development of standards follows due process and stages.

NASB Due Process and Stages Involved in the Development of Standard

The development of a new standard involves a long process which ensures that all interested parties are allowed to express their views. This standard-setting process is called Due Process and it can take more than two years in some cases.

The Institute of Chartered Accountants of Nigeria (ICAN) (2009) identified the following as the stages involved in the production of a statement of accounting standard:

- Selection of a topic: the topic can be suggested by an individual or organization.
- Selection of Steering Committee of Expert: this committee usually constitute a practising accountant and the representative of the affected industry, Federal Inland Service Board and academia, one person, at least representing a business community that may be affected by the proposed standard.
- Based on the directive of the steering committee, the secretariat drafts the points outline of the topic.
- Then, the committee submit the draft to the council for approval
- After the approval of the point outline, the secretariat prepares a draft exposure draft base on the directive of the committee and approved by the council based on the recommendation of the committee to become an exposure draft.
- The council usually meets for two working days to meticulously examine the exposure draft submitted to it. If two-thirds of the members present at the technical session vote in favour of its publication, then the document becomes an exposure draft.
- Each exposure draft is exposed for about three months when comments are received in writing or NASB may conduct a public hearing where necessary.
- Based on the comments received from the public, the exposure draft may be amended. If an amended exposure draft is approved by the three-quarter of



the council members present at its meeting, it becomes an accounting standard.

As of the date of this writing, Nigerian Accounting Standard Board (NASB) now known as the Financial Reporting Council of Nigeria (FRCN) has issued about thirty (30) standards.

Development of the Accounting Profession in Nigeria

It is worth noting that the major gains, as well as crises that branded accounting profession, has witnessed have taken place under the various military regimes (Uche, 2002). Bringing the narratives of how the military interrupted the development of the accounting profession in Nigeria and the manners government was run under the military dispensation to show how the relationships between the profession and the State have influenced the outcome of the various episodes in the history of the accounting profession in Nigeria.

The Origins of the Institute of Chartered Accountants of Nigeria (ICAN)

Before independence in 1960, there was no registered body for professional accountants in the country. The development of the accounting profession in Nigeria became feasible only with the movement towards political independence in the country. It was proclaimed that the development of the accountancy profession in Nigeria became a possible venture at the Constitutional Conference held in London in May and June 1957 to draft the Constitution of an independent Nigeria. Paragraph 44, Item 20, of the Conference Report, provided that rules could be created which would allow certain professions to be practised, and provided for the registration and disciplinary control of members of the professions so designated. It was agreed at the conference that auditors and accountants be added to the initial draft list of professions. The enabling law- Concurrent Legislative List (Designated Professions) Orders, 1955 to 1957- to identify accountancy and auditing as designated professions were passed in 1957 (Uche, 2002).

The Orders implied that the qualifications, registration and disciplinary control of members of the professions so designated became a matter for federal government legislation. At that time, the accounting profession lagged behind most other professions in Nigeria. For instance, clergymen, lawyers, and doctors have been recognized as professionals in Lagos as far back as the later part of the nineteenth



century. This was because accountants at that time were few and mostly civil servants or employees of foreign companies until 1950 when Master Akintola Williams became the first Nigerian to qualify as a chartered accountant in England and Wales and was admitted into the Institute of Chartered Accountants of England and Wales (ICAEW).

At independence in 1960, Nigeria had only 15 members of ICAEW, one Nigerian member of the Institute of Municipal Treasurers and Accountants (now the Chartered Institute of Public Finance and Accountancy) and 24 Nigerian members of the Association of Certified and Corporate Accountants now the Association of Chartered Certified Accountants (ACCA). The discouragement of the numbers above, in 1957 the Nigerian members of the ACCA made the first move to set up a professional accountancy body. When the plan was endorsed in 1960 Nigerian members of ACCA saw clear advantages in the newer idea of forming a local accountancy body that would bring all Nigerians with overseas accountancy qualifications of equivalent standards together.

In other words, the ACCA members, who were in the majority, embraced the idea of a central accounting association in Nigeria mainly because it had the potential of eroding the stigma of the inferiority of their original qualification. Indeed, the idea of establishing an umbrella association for all Nigerian accountants emerged in 1959 at a party organized in honour of Master Keeling, a member of the British Council delegation then visiting Nigeria to advise on the setting up of public libraries. During the party, Keeling was confirmed to have been advised to start an Association of Accountants (Coker, 1990). After passing through many thick and thin the charter of the Institute of Chartered Accountants of Nigeria (ICAN) was passed into law in 1965 by the Nigerian government.

The Association of National Accountants of Nigeria (ANAN)

When the Companies and Allied Matters Decree was finally signed into Law by the Military Government in 1990, the provisions therein concerning the accounting profession laid the foundation for ending the monopoly that was being enjoyed by ICAN. Section 2 (c), particularly, of the Decree, which dealt with the membership of the Corporate Affairs Commission, stated that the representative of the accountancy profession in the body shall be appointed by the Minister after necessary consultation with the Institute of Chartered Accountants of Nigeria and



any similar body. There was also a similar provision in Section 358 (1), which dealt with the qualification of auditors. This planted the possibility of registering other accountancy bodies to perform roles and duties similar to those of ICAN. After many years of politicking lasting more than a decade, a degree was signed into law in 1993 establishing ANAN which finally lay to rest years of monopoly enjoyed by ICAN.

Threats and Issues of the Accounting Profession in Nigeria

Threats facing the accounting profession in Nigeria emanate from within and outside the various accounting bodies. Registering the Association of National Accountants of Nigeria (ANAN) as another professional accounting body was as a result failure by ICAN to properly assert itself in the Nigerian class system. Before ANAN, qualifying to be a professional accountant was a task very close to participation in cultist activities. Then, the annual rate of passing ICAN examinations was 5% (Uche, 2002). These were the points stressed by members seeking to register for ANAN.

ANAN which nailed the monopoly exercised by ICAN was again preceded by the registration of the Chartered Institute of Taxation of Nigeria (CITN) in 1992 whose main objective of the body is to regulate the practice of taxation in Nigeria. Before the establishment of the body, tax practices were dominated by ICAN members. ICAN members felt threatened by this loss of prerogative. This loss of jurisdiction forced many ICAN members to join the Institute of Taxation. The outside threat lies principally with provisions of the Companies and Allied Matters Act (CAMA) that leave room for the creation of yet other accounting bodies. These provisions are still portent. The existing professional accounting bodies should either live to the roles and rules expected of them in shaping the economic and social lives of the nation or put concerted efforts that will see to the abrogation of the laws that provide for the creation of multiple accounting professional bodies. From the above narratives, it could be stated that the state has been an influential actor in the evolution and development of professional accounting bodies in Nigeria.

In addition to the above-stated threats to accounting development. Accounting education, the status of the accounting profession in a country can also be observed as a factor affecting the country's accounting profession, even though it is, at the same time, conditioned by some of the other influential factors. In countries whose



legal systems are based on code law, the accounting profession is less important and is state-regulated, whereas, in common-law countries, it is highly appreciated, self-regulating, and plays a major role in setting accounting and auditing standards, as well as in developing and promoting the profession itself.

The growth of the accounting profession in Nigeria has been supported by the founding of universities, polytechnics, and colleges of technology offering accounting courses. The system of accrediting accounting training centres of universities departments through the National Universities Commission (NUC), National Board for Technical Education (NBTE), and ICAN has aided to advance standards and quality of programs in the institutions offering accounting training for manpower requirements intended for the governments, MDS, industry and commerce, and for the accounting professional agencies, (Adegbiyi 1997; Ksenija, 2009; Ogundele 2010; Okolie & Arowoshegbe, 2014). Also the establishment of the Nigerian Accounting Standard Board in 1982, now known as the Financial Reporting Council of Nigeria (FRCN) saddled with the responsibility of setting local accounting standards in conformism with global accounting standards is to assist in improving the quality of the accounting profession in Nigeria. Additionally, this is to ensure consistency and better the standard in the financial reporting process in Nigeria.

Challenges of Accounting Education in Nigeria

The following among others, are the challenges facing accounting education in Nigeria:

Lack of well-equipped accounting Institutions

Although there has been stable progress in the number of institutions offering accounting education over the years, these institutions have not been able to train enough accounting graduates to promote the desired quality accounting professional per the international benchmark due to unsuitable facilities and resources. The dearth of suitable facilities and resources has completely rendered university professors helpless in their attempt to communicate knowledge to their learners. The university professors deserved a good conducive environment to achieve efficiency in providing their training service. A Professor that is adequately equipped will be able to select and use learning experiences in performing his job,



additionally, the professor will adequately diagnose learning difficulties and guide learning to improve the instruction process. The following are also the major deficiencies that have been identified as inhibiting the growth of the accounting profession in the third world; a dearth of qualified and dedicated accounting and managerial personnel; inadequate, unreliable and untimely databases, ineffective systems of internal control, inadequate technology and data processing systems, poor and inefficient management process (Olagunju, 2011).

Insufficient Accounting research and professional development

Other factors inhibiting the development of the accounting profession in Nigeria are insufficient research facilities and the non-availability of current professional materials, as well as specialized and educational journals on accounting research (Okolie & Arowoshegbe, 2014). Research has been noted to generate knowledge, and teaching helps people to acquire and use it. It is universally accepted that part of the obligations of academics is to conduct research. It is equally obligatory for members of the profession to provide sound education to its members both before and after qualification, (Birnberg, 2000; Rebele, Stout & Hassell, 1991). According to Anao (1995), Ksenija (2009), and Olagunju (2011) the present level of Nigeria's economic development, research can play key roles in further development of the accounting profession and education such as curriculum development in the tertiary institutions and for the profession.

However, in Nigeria, there has not been in-depth research into accounting thought, principles, and practices in the face of global challenges. The results of such research are expected to provide the latest accounting techniques, new theoretical knowledge and the discovery of new accounting packages that will meet both local and international standards. It is hoped that if the adequate fund is provided, academics and practitioners will be encouraged to research different aspects of accounting (Odiaka & Nwachukwu, 2008; Okolie & Arowoshegbe, 2014).

Scarcity of accounting Professors

In the literature, the quality of education in the field of accounting is often referred to as a factor in the development and design of an accounting profession. Various authors agree that this factor if lacking, can represent a constraining factor in accounting profession development. Mueller, Gernon, and Meek, (1987) state that,



the dearth of accounting professors in Nigeria's tertiary institutions is thoughtful and precise disturbing, this acute dearth is due to the wretched remuneration of accounting professors in Nigeria's tertiary education system when compared with what their counterparts in other countries and even less placed workers in the private sector earn. These institutions cannot attract qualified accounting professors to the various accounting departments in the country's university system perhaps due to the absence of motivation and low remuneration when compared with what their counterparts working in businesses and corporations earn. This impacted negatively the development of the accounting profession. It has been observed by scholars that the shortage of professors in Nigerian tertiary institutions has affected the number of students that can be admitted into these institutions for adequate professional training (Okolie & Arowoshegbe, 2014). There are no professorial chairs in most of the departments of accounting in the universities and polytechnics.

Besides, it is not also enough to have these chairs in accounting, it is equally important to encourage persons with appropriate qualifications to take a leave of absence to occupy these professorial chairs (Ogbomo, 1997; Okolie & Arowoshegbe, 2014; Thorne, 2010).

Inadequate funding

Reports on student enrolment in primary, secondary, and tertiary institutions over the years showed a regular upsurge while the government's total expenditure, recurrent and capital allocations on education showed a sturdy decline in real terms (Okolie & Arowoshegbe, 2014). The concomitant result of underfunding of the educational system is what is currently found in the many educational institutions in Nigeria. These amongst others include the ramshackle physical facilities at all levels of Nigeria's educational system. Additionally, the lopsided and at times non-payment of educators' salaries, abandonment of capital projects in the educational institutions and lack of physical developments in these institutions has resulted in frequent down tool of service strikes by school teachers, professors and workers at all levels of the educational system, this thereby, disrupt academic activities (Ksenija, 2009; Ogbomo, 1997).

Accounting as one of the various disciplines offered in these institutions has suffered the same faith from the poor funding to the educational sector. The



percentage allocated to education is far less than the 26% recommended by United Nations Educational, Scientific and Cultural Organisation (UNESCO) that nations should allocate to education from their national budget. This has no doubt affected the development of education development in Nigeria and by insinuation, accounting education.

Early Development of Double Entry Bookkeeping

A double-entry system of accounting reports business transactions in such a way that each entry is recorded twice – first as a debit and second as a credit. The development of double-entry bookkeeping has been credited to the early Italians, with the earliest known evidence from a Florence banker dated 1211. From this time double-entry bookkeeping continued to grow throughout Italian businesses, notably in Florence and Venice (Rutledge 2014).

The Northern Italians developed a new kind of record-keeping, as trade flourished, to cope with the growing complexity of their business transactions. This kind of record-keeping was perfected by the merchants of Venice and it later became known as book-keeping (*alla veneziana* - the Venetian method), otherwise referred to as the "Italian Method". What we know today as double-entry bookkeeping is traceable to a man called Luca Pacioli, the author of the world's first printed book-keeping treatise. Of course, the history of accounting and indeed, the double-entry system of accounting cannot be complete without bringing the wonderful work of Luca Pacioli into perspective. In 1494, the principles of double-entry bookkeeping were put into print by him. He published a mathematics book called "Summa de Arithmetica, Geometria, Proportioni et Proportionalita" which means "Everything about Arithmetic, Geometry and Proportion". This book, written as a guide to existing mathematical knowledge, covered five topics including bookkeeping, for which there were 36 short chapters. And it is regarded as the official beginning of double-entry bookkeeping. The chapter was, however, so popular among students that ten years later, in 1504, Luca published it as a separate book whose title, translated into English, was *The Perfect School of Merchants*.

Frater Luca Bartolomes Pacioli was a "Renaissance man" who acquired an amazing knowledge of diverse technical subjects. He believed in the interrelatedness of widely varying disciplines and in the special importance of those, such as mathematics and accounting, which exhibit harmony and balance. His idea



reflected the business activities of Venice at that time, especially the way they recorded financial transactions. This is to say that even before Pacioli published his book, the Merchants of Venice maintained accounting records which of course, they did in a particular way. So, in his book, Pacioli simply described this peculiar method used by the early merchants to keep their records. This method was referred to as “the Method of Venice” or “the Italian Method”. This is to say that Luca Pacioli did not invent the double-entry system of accounting. He only described the method of accounting practised at that time.

In his opinion, the purpose of bookkeeping was to provide the trader with timely information concerning his assets and liabilities. He postulated that all accounting entries must be double hence, when a creditor is created, someone must be made a debtor. He suggested that “not only was the name of the buyer or seller recorded, as well as the description of the goods with its weight, size or measurement, and price, but the terms of payment were also shown” and “whatever cash was received or disbursed, the record was shown of the kind of currency and its converted value...” Despite the short duration of business ventures at that time, Pacioli advocated for the closure of books and the periodic computation of profits. The translation of Pacioli’s book contributed to the spread of the “Italian Method” or what is known today as double-entry bookkeeping.

Despite the early contribution of Italy to the development of accounting, the influence of Italy on the accounting profession has dwindled in modern times, almost to the point of insignificance. Much of the current thinking in the profession is mainly dictated by two countries- the United Kingdom (UK) and the United States of America (USA). Some of the evidences of this fact are the biggest and most influential professional accountancy institutes, the Association of Chartered Certified Accountants (ACCA) - UK, the Institute of Chartered Accountants of England and Wales (ICAEW)- UK, and the American Institute of Certified Public Accountants (AICPA)- USA.

Accounting vs Bookkeeping

Bookkeeping and accounting are essential for the success of any business. Bookkeeping is important as it is the primary stage of keeping financial records. Accounting analyzes and forecasts the financial activity and health of the business based on data and records. The differences are presented in the table below:



Table 1
Differences between Accounting and Bookkeeping

Accounting	Bookkeeping
Responsible to prepare financial statements and yearly tax returns	Responsible for the reliability of data used by an accountant
Prepare and audit financial reports based on bookkeeping records	Record sales, purchases, returns outward and returns inward, etc.
Adjust entries for interest, depreciation, provision of bad debts, etc.	Data entry of detailed business record
Analyze and interpret financial data	Does not need to analyse and interpret records
Concerned about assets and liabilities, financial health	Concerned about day-to-day recording of financial events
Accountants need to meet professional standards and certification	Anyone can be a bookkeeping if they have the knowledge and experience no certification is required
Typically, subjective	Typically, objective

Source: Nwoko (1990)

History of Islamic Accounting

It is widely accepted that the origins of organized accounting, in the form we use today, can be traced back to Italy and Luca Pacioli, the father of modern economics. His book, *Summa de Arithmetica, Geometria, Proportioni et Proportionalita*, published in 1494 CE (common era) is considered the first text on accounting, (Ramachandram & Kakani 2008). Although, it must be said that Luca Pacioli is not accredited with inventing the accounting system but for being the first individual to codify and publish the system. This is because merchants had been using an accounting methodology for years, one which is claimed to have been developed and used in trade and commerce around the middle ages (Ramachandram & Kakani 2008).

Accounting in the Islamic world can be traced back even further than these above-mentioned claims. The nation living in Arabia during the time of the Prophet Muhammad, peace be upon him (p.b.u.h), was one whose entire economic system was more or less reliant on trade and commerce. Even the Prophet p.b.u.h worked as a merchant. The arrival of Islam through the revelation of the Qur'an provided instructions on every aspect of life, including economic transactions (Chaprs & Whaples 2008). The basis of the Islamic economic system comes from the Qur'an itself which provides examples of how to conduct business in a permissible manner. The creation of an Islamic accounting system was, therefore, both



necessary and inevitable. The Qur'an also guided how to conduct accounting activities and seeing as the divine revelation began around 610 CE, this would mean that Islamic accounting was present some 800 years before Pacioli's book (Zaid 2004).

This fact is not surprising as the writing of accounting history is dominated by English writers who focus on and discuss private-sector accounting in English-speaking countries of the 19th and 20th centuries (Parker 1993). The scope of accounting history, however, is much wider than this, both from a geographic point of view as it was not limited to the English-speaking world and from a time point of view as accounting existed before the modern era. Thus, as Islam grew so did the Islamic economic system and all activities therein. The expansion in trade within and beyond the Muslim world promoted the development of a mechanism which would ensure the acceptable accountability of cash, goods received and distributed (Iqbal & Mirakhar 2011). This became specifically important with the introduction of zakat in 624 CE, where it was necessary to have accounted for calculating and paying zakat.

It was also important for those individuals' conducting business, specifically entrepreneurs, to develop a bookkeeping and writing system to ensure that their ventures were Shari'ah compliant. The Qur'an, as mentioned earlier, stresses the need for an accounting system by stating the importance of writing and recording debts as well as business transactions. Examples of such revelations can be seen in Surah 18: Ayah 30 and Surah 2 (Al-Baqarah): Ayah 282-283. Ayah 282 of Surah Al-Baqarah is also known as 'the debts Ayah' and is the longest Ayah in the Qur'an, specifying all the requirements for writing and recording debts as well as business transactions. The formal introduction of accounting books, concepts and procedures occurred during the time of the second Caliph, Umar bin Al-Kattab, who ruled between 634-644 CE (Zaid 2004).

Development of Islamic Accounting

Since the development of accounting in the Islamic state was associated with zakat, its formal establishment was initiated for government purposes. Namely, it was implemented for the recording of Public Treasury revenues and expenses (Haniffa, Hudaib & Mirza 2004). The accounting systems developed and practised in the Islamic state can be divided into 7 types: Stable Accounting (accounting for



livestock); Construction Accounting; Rice Farm Accounting (Agricultural Accounting); Warehouse Accounting; Mint Accounting (Currency Accounting); Sheep Grazing Accounting; Treasury Accounting. The development and implementation of accounting systems in the Islamic States were also supported by mandatory recording procedures. Although these ranged, some examples of recording procedures developed and applied by government authorities, as well as individual entrepreneurs, include (Ambashe & Alrawi 2013):

Transactions had to be recorded immediately, as soon as they occurred. Transactions had to be classified according to their nature. Receipts were recorded on the right-hand side of the page (sources of these receipts also needed to be disclosed) while payments were recorded on the left-hand side (with explanations). No spaces were to be left between transactions. Corrections, overwriting or deleting recorded transactions were prohibited. Monthly and yearly reports had to be prepared. Yearly reports were reviewed and compared to prior year reports (auditing). As we can see, these procedures attempted to diminish the risks of fraud and manipulation and offer some form of control.

Proper classification of transactions was stressed and integral to the various accounting systems. Monthly and yearly financial statements were mandatory while budgeting was used as an internal control procedure and a tool for analyzing and interpreting these financial statements. As can be seen, auditing was also practised and was even deemed mandatory to ensure the proper implementation of a complete accounting system. It is also important to note that while accounting was practised in the early stages of the Islamic state, the terms accounting and accountant were not present. It is unknown when exactly these terms came into use; however, their appearance probably coincides with the influence of colonization and the introduction of Western culture in the 19th century.

Modern Islamic Accounting

With the fall of the Islamic state, Islamic economics also diminished and played second fiddle to the conventional system which dominated world economics. The colonization of Muslim-dominated countries by Western empires left significant influences on the culture and every aspect of societal life. This included accounting practices which became implemented in these countries. Even those majorities of Muslim-populated countries which were not colonized still had significant Western



influence; The Ottoman Empire was influenced by German accounting principles and even the Wahhabi-influenced Saudi Arabia borrowed its accounting practices from the West (Naser & Nuseibeh 2013). After the Second World War, the post-colonial period, Muslims around the world were left with a dilemma; should they keep the Western practices already engrained in their society or bring back the Islamic practices of the religion's Golden Age? (Napier 2009). Nonetheless, Islamic economics began to develop in the modern era alongside conventional economics, particularly due to the 'Islamisation' of some countries like Pakistan and Iran, as well as the significant and continued wealth transfer to the Middle East after oil prices rose in the early 1970s (Napier 2009).

The need for Islamic banking and financial institutions rose and with it the need for an accounting system which would be appropriate for said institutions, namely one which understood the required Shari'ah compliance objective. This is particularly so since conventional accounting was inadequate in ensuring that Islamic Financial institutions meet their socioeconomic objectives as required by the Shari'ah. The first mentions of Islamic accounting in scholarly literature, in the English language, can be traced back to 1981. This year, Abdel-Magid proposed a tentative theory for the accounting practices of Islamic banks (Napier 2009).

Hence, Islamic accounting in its modern context can be defined as the accounting process which provides the necessary information to stakeholders enabling them to ensure that their entity is continuously operating under Islamic or Shari'ah Law while fulfilling its socio-economic objective (Abdel-Karim 1999). Islamic accounting, unlike conventional accounting, serves a large group of stakeholders as opposed to only serving the interests of a particular group, therefore it is concerned with the interests of society as a whole.

CONCLUSION

Since the inception of trade and business, civilization understood the need for accurate records. Therefore, in light of new facts views are reversed. Accounting, as it is practised today, evolved gradually over the years, and we cannot pinpoint the time of the first accounting system. Accounting was developed to satisfy people's needs for information, and its origin predates recorded history. Members of ancient tribes undoubtedly used some rudimentary ruling house and to maintain social order means of accounting to trivial chiefs, kings and their period, dynasty



and their reigns. In addition, an accounting system was also needed to keep track of trading activities between tribes. It was such a perfect fit for a long unfulfilled business need that it was like giving water to the thirsty.

As time progressed in commercial activities, accounting became needed to provide information about early business ventures. However, with the industrial revolution, the increase in corporate business and the advent of income taxation called for sophisticated financial information. Accounting concepts and practices were adapted to meet the expectation of the times. It is an evolutionary process that will never end. The discovery of past events is difficult, but findings and reasons are even more demanding. Never in history has one particular contribution served to shape and mould business as accounting. The historical concept of accounting provides clues and explanations for most of the important events that shape the development of modern accounting. The history of accounting will be useful to accounting users, providers, certifiers, trainees, trainers, and accounting professional bodies in reflecting on whether they have played a major role in accounting development.

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