🧭 WEEK 2: EXPANDED LESSON NOTE

Topic: History of Accounting Worldwide and in Nigeria

Subtopics:

- Emergence of Accounting
- Users of Accounting Information (Internal and External)
- Characteristics of Accounting Information

💡 INTRODUCTION

Accounting is the **language of business**—a systematic way of recording, analyzing, and interpreting financial information. Understanding how it began, who uses the information it provides, and what makes it useful are all foundational to becoming a competent accountant or business professional.

🔹 1. EMERGENCE OF ACCOUNTING (WORLDWIDE & NIGERIA)

🌍 A. Worldwide History of Accounting

Accounting has existed since **ancient civilizations**, when humans began to record trade and resource distribution:

- **Mesopotamia (circa 5000–3000 BC):** The Sumerians recorded trade on **clay tablets** using cuneiform writing. These records were early forms of inventory and receipts.
- **Egypt & Babylon:** Used detailed records to manage **tax collection** and **grain storage**. Temples and rulers maintained these to control public resources.
- **Ancient Rome:** Used more formal records for **state finances** and property ownership.
- **Medieval Europe:** As trade grew, accounting evolved into a necessity for **merchants, banks, and governments**.
- **1494 - Luca Pacioli:**
    - Italian mathematician and Franciscan friar.
    - Published *"Summa de Arithmetica"*, which introduced the **Double-Entry Bookkeeping System**.

- This method ensured that **every debit has a corresponding credit**, promoting **accuracy and completeness**.
- Today, he is called the **"Father of Modern Accounting"**.

✅ **Significance**: Pacioli's work revolutionized financial reporting, enabling the rise of large businesses and banking systems.

NG B. History of Accounting in Nigeria

- Introduced during **British colonization** in the 19th century.
- British firms, missionaries, and civil services needed financial systems to manage:
  - Trade
  - Salaries
  - Tax collection
- After Nigeria's **independence (1960)**:
  - More Nigerians were trained as bookkeepers and accountants.
  - **Accounting became a formal profession** in the country.

Key Milestones:

1. **ICAN – Institute of Chartered Accountants of Nigeria (1965)**
   - Sets standards and certifies professional accountants.
   - Member of international accounting bodies.
2. **ANAN – Association of National Accountants of Nigeria (1979)**
   - Alternative body promoting national values in accountancy.
   - Offers professional exams and training.

✳️ Today, accounting is used in **banks, oil companies, schools, hospitals, public service**, and NGOs across Nigeria.

🔹 2. USERS OF ACCOUNTING INFORMATION

Accounting information is used by **many stakeholders**—both **internal** (within the business) and **external** (outside the business). They rely on this information to make informed decisions.

🏢 A. Internal Users

These are people **inside the organization** who use accounting information to manage and improve operations.

User	Purpose
Managers	Make strategic decisions, allocate resources, plan budgets, assess performance.
Employees	Understand job security, company growth, bonuses, and pensions.
Business Owners	Track profits, evaluate success, plan for expansion.

🌍 B. External Users

People or organizations **outside the business** who need accounting information.

User	Purpose
Investors	Decide whether to invest or withdraw funds.
Creditors	Assess creditworthiness and repayment ability.
Government	Calculate taxes, enforce regulations, and plan the economy.
Customers	Check if a supplier is reliable and stable.
Regulatory Agencies	Ensure companies follow standards and ethical practices.
General Public	Evaluate economic and social impact.
Financial Analysts	Give advice based on financial health of firms.

🔹 3. CHARACTERISTICS OF GOOD ACCOUNTING INFORMATION

For accounting information to be useful, it must have the following characteristics:

Characteristic	**Explanation**
Relevance	Must influence decision-making. Example: Profit figures help investors.
Reliability (Faithful Representation)	Should be honest, complete, and free from errors.
Comparability	Should allow comparison between different periods or organizations.
Consistency	Same accounting methods used over time.
Understandability	Clear and simple for users to grasp, regardless of background.
Timeliness	Information must be available promptly, or it loses value.
Verifiability	Others should be able to confirm the figures, e.g., auditors.