

## Objectives

At the end of this chapter, students should be able to:

- Distinguish between book-keeping and accounting;
- Discuss the history of accounting;
- State the importance of book-keeping and accounting;
- Identify the various accounting bodies;
- Identify the career opportunities in the field of book-keeping and accounting.

## 1.1 Introduction

For a better understanding of the subject of accounting and bookkeeping, a knowledge of its history, importance and opportunities for jobs in the field is necessary. Ultimately, this can arouse interests, which in turn, facilitates easy learning. Book-keeping and accounting begins with recording of business transactions from source documents such as invoices, cheques, etc. The data from this source document are processed to produce financial information for management use.

## Meaning of Book-keeping and Accounting

Book-keeping is the basis of accounting and foundation upon which business transactions are based. There are many ways of defining book-keeping. The modern English Dictionary defines it as a “a keeping of accounts of money”. *J. S. Ehele Udo* defines it as “the art of recording business transactions in such a manner that the financial position of a business can be ascertained readily at any time”.

Some other writers define it in numerous ways as it entails more than just keeping an account of business transactions or money, it is difficult to explain this term with such numerous definitions in a few words. It is better explained with the following example: i. A sole trader starts his business of buying and selling with cash saved or borrowed from relations or from the bank.

ii. A shop is rented and stocked with goods which are purchased and sold on cash basis. Thus, the calculation of profit is made easy and the financial position is known at a glance. This is done by adding sold and unsold goods and subtracting it from the cost of purchases. When the business grows to have assets like machinery, fixture and fittings, employees, goods can then bought and sold on credit then, it would be necessary to record all details of the above-mentioned business transaction. The keeping of the records of the items owed and owned by the trader is what is referred to as book-keeping. Book-keeping is, therefore, the recording of all business transactions for the trader to know the following:

- Whether the business is making profit or not.
- What valuable items the trader owns (i.e. assets).

iii. What valuable items the trader owes to himself and to his creditors. (i.e liabilities).

Accounting is concerned not only with recording, but also with analyzing, summarizing and interpreting financial transactions. There are sets of rules and principles widely accepted by accounting professionals and which are to be followed.

## **1.2 History of Book-keeping and Accounting in Nigeria**

There is no record as to the exact time and date of the origin of book-keeping and accounting worldwide. According to history, it started alongside trade by barter. The origin of the system of accounting was traced to Babylonian traders as at 3600 A.C. At that time, clay tablets were used by the Babylonians to record facts of important events as they happened, such as; the list of estates goods owned by individuals. Ancient Greece, Egypt and Rome discovered types of detailed recording of goods, debits, etc. The records later showed profits and losses in their various businesses. The accounting procedure practised today has its origin in the double-entry system of book-keeping as developed by Italian merchants. A description of the doubleentry system was first published in a book called 'Summa de Arithmetical Geometria Proportions Et Proportionalita' written by a Catholic Franciscan Monk, mathematician and writer, Luca Pacioli in 1494. *Summa* was a treatise on mathematical principles but it included the description of the double-entry system developed by Italian merchants. The double-entry system, which takes a chapter in this book, became the base of modern accounting throughout the world.

Before the advent of the Europeans, there is no accurate record as to when book-keeping started in Nigeria. However, it can be said that some form of traditional book-keeping was used to record financial transactions, such as credit sales, loans and periodic contribution. For example, the Esusu (Yoruba), Akawo (Igbo) and Adashe (Hausa). History shows that such transactions were usually recorded by making marks on walls.

In 1914, modern book-keeping and accounting began in Nigeria with the amalgamation of the Northern and Southern protectorates to form the territory now called 'Nigeria'. Based on the British system, the Colonial Governor, being the Chief Executive and Accounting Officer of the colony, rendered monthly and annual accounts to the Colonial Government. Private sector book-keeping and accounting might have begun earlier with the accounts rendered to its owners in the United Kingdom by the pioneering British Private Company. For instance, it can be assumed that the Royal Niger Company which was trading the Northern and Southern Protectorates had its accounts prepared in the British fashion. This is because, the company was essentially a branch of the united nation office. In the early 1930s, clerks were trained on the job as bookkeepers to keep financial records in firms and government offices. In the 1950s, few of the Nigerians who went to the United Kingdom to study accounting returned to manage the accounting positions in firms and public offices and thereby trained Nigerians in the art of accounting.

The Companies Act of Nigeria, 1968 was based on the British Companies Act of 1948 and contained almost the same provisions. Among other things, it required that all limited liability companies operating in Nigeria should be registered with the Ministry of Trade and render yearly returns including audited accounts of the company for the year. The passing of the law became a turning point in the history of book-keeping and accounting in Nigeria. It compels companies to keep up-to-date records of their operations, the Company and Allied Matters Decree, CAMD (1990) established corporate affairs

commission and the body is made responsible for regulation and supervision of the formation, incorporation, registration, management and winding up of companies.

Between 1959 and 1969, some accountants in Nigeria came together and thought of how to organize themselves into one group. As a result of this, the birth of the Institute of Chartered Accountants of Nigeria (ICAN) came into being in September, 1965. The Act established the institute as a legal body responsible for the regulation of the practice of accountancy in Nigeria. It empowers the institute to formulate a plan for the training of professional accountants for the country by organising qualifying examinations for students and setting up regulations to control the conduct of its members.

Today, Nigerian Universities, Polytechnics and Colleges of Education train people in the field of accountancy. To be a professional accountant, one has to pass the prescribed examinations of the recognised accounting bodies, either in Nigeria or overseas. Some of the recognized accounting bodies are:

- Institute of Chartered Accountants of Nigeria (ICAN)
- Association of National Accountants of Nigeria (ANAN)
- Institute of Chartered Accountants of England & Wales (ACA)
- Association of Chartered Certified Accountants (ACCA)
- Chartered Institute of Cost and Management Accountants (CICMA)
- Chartered Institute of Public Finance and Accountancy (CIPFA)
- Institute of Certified Public Accountants (CPA), USA, Ireland.

## **Future Prospects**

There are abundant career opportunities for people who qualify as book keepers and accountants in both the public and private sectors, such as insurance, transportation, hotels and other service industries, commerce and educational institutions. It can therefore be seen that opportunities are surplus as book-keepers and accountants are needed in every sector of the economy. With good grades in relevant subjects from secondary schools, admission can be gained into higher institutions to study accountancy.

## **1.3 The Need for Book-keeping and Accounting**

- i. Keeping of proper and accurate records of all business transactions and activities because accounting records are the soul of a business.
- ii. Control of business activities in order to make adequate profit for present and potential investors.
- iii. Provision of sufficient funds to meet the financial needs of the business when a crisis occurs.
- iv. Provision of necessary and accurate business reports for decision making by all levels of management.
- v. Provision of records for tax information and assessment.
- vi. Showing the true financial positions of a business as at a particular date.
- vii. Making of financial records and information available for planning.
- viii. Show in summary the total value of fixed and current assets.
- ix. Show the amount due from debtors and the amount owing the creditors.

x. Conserve assets.

## **1.4 Summary**

In this chapter, students have learnt that

- Book-keeping deals with the systematic recording of financial transactions while accounting is concerned with the recording, analyzing, summarizing and interpreting of such transactions.
- The origin of book-keeping and accounting was traced to Babylonian and Italian merchants and was first described by Luca Pacioli, a catholic monk priest, writer and mathematician in his book 'Summa de Arithmetical Geometria Proportions Et Proportionalita' in 1494.
- Book-keeping and accounting in Nigeria started from the crudest form and developed into a profession over the years.
- Keeping of accounting records is the soul of any business. There are abundant career opportunities for book-keepers and accountants in both the private and public sectors.

## **1.5 Revision Questions**

1. Book-keeping is:

- A. the communicating phase of accounting
- B. the recording phase of accounting
- C. the diary of business transaction
- D. identifying business activities

2. The development of accounting started in:

- A. 2001 A.C
- B. 360 A.C
- C. 1995 A.C
- D. 262 A.C

3. Accounting is a system that:

- A. processes information into financial statement
- B. measures business activities
- C. communicates information for decision making
- D. all of the above

4. The development of the system of accounting can be traced to the:

- A. Greeks
- B. Africans
- C. Babylonians
- D. Europeans

5. The present day system of accounting was first published by .

- A. Emperor Augustin
- B. Venetian Merchants
- C. Luca Pacioli
- D. Yuji Yiri

6. The Institute of Chartered Accountants of Nigeria was statutorily recognised in the year:

- A. 1930

B. 1963

C. 1982

D. 1990

7. Write a short history of book-keeping and accounting in Nigeria.

8. Give the full meaning of the following professional accounting bodies:

i. ACCA

ii. ACA

iii. ICAN

iv. ANAN

v. CPA (USA)

vi. CIPFA