

ISSN: 2315-7844

Website: www.arabianjbm.com/RPAM_index.php

Publisher: Department of Public Administration Nnamdi Azikiwe
University, Awka, Nigeria and Zainab Arabian Research Society
for Multidisciplinary Issues Dubai, UAE

THE IMPERATIVES OF AN ACCOUNTING BRIDGE ON THE IMPACT OF LAW, EQUITY AND CLASS STRUGGLE IN NIGERIA

Ezeagba, Charles Emenike; Ph.D

*Department of Accountancy, Nnamdi Azikiwe University, Awka
08063500440, 08051988611*

Abstract

This paper explores striking a balance between law, equity and class struggle in Nigeria through proper preparation and presentation of accounting information so that the end users will be able to make a well informed decision. It highlights the increasing agitation in various parts of Nigeria which has made the country a transitional society inspite of its fifty three years of nationhood. A contributory factor to these agitations is inequity and class struggle in the polity. The affluent control the economy. But other class in the society can be joint owners through purchase of shares / placement in Nigerian companies. But the financial information contained in the financial statements of companies should be adequate, fair and full so that out of the meager resources of low income earners, they can be sure of a viable investment. The paper concludes that Nigerian accounting system should focus on the peculiarities of Nigerian environment while meeting the requirements of relevant accounting standard. It is the view of the author that given the requisite accounting information and investment in enterprises by various classes in Nigeria, the gulf between the rich and poor in Nigeria will be reduced.

Key words: Accounting Bridge, law, equity, class, Nigeria.

Introduction

A society can be defined as a unit consisting of institutions and culture which are exclusive to a group of people (Otite and Ogionwo 1979). This definition centres on the institutions and the culture which are the products of people living in communities. Thus a society encapsulates human beings of all ages and of both sexes who live in groups and members of each group share the same culture. It is a network of relationship.

Nigerian nation is a society with attributes of people, institutions and relationships Nigeria is not only divided along ethnic, cultural, linguistic and religions lines; the most potent division is that of class, that is the gulf between the rich and the poor. If there is class division in Nigeria, law may

not necessary serve as a regulator of socio-political economic and cultural behaviour as there will be no true equality before the law.

One way the affluent continues to impoverish the poor in Nigeria is the control of the economy. Nigerian economy is generally capitalist driven. Companies are incorporated by the affluent and the poor are swayed to join in the ownership through sale of shares to the public.

From the low income paid to the vast majority of the population, the picture is painted by the affluent that these companies they incorporated are doing well and are worth investing in by all and sundry. Most often what is reported in the operating statement of Nigerian companies do not reflect a true and fair view of the financial position of these companies. That perhaps accounts why Bank shares were over priced between 2005 and 2007 during the Central bank of Nigeria recapitalization of Banks.

The Securities and Exchange Commission (SEC) that is statutory charged with regulating activities in the capital market and reports of companies did not live up to expectation with the attendant result that investors, low income earners and the affluent lost huge sums of money in depreciated stock value after less than a year of purchase of those shares the situation has largely remained the same till today.

In the light of the above, some of the encumbrances in the imbalance of law, equity and class struggle in Nigeria can be reduced if the accountant who is trusted with the wealth of the poor and the rich serve as a watch dog in presenting true operating results of companies in Nigeria. This is because, the economic distortion in Nigeria which translates in the rich getting richer and having all the resources to influence institutions and the poor getting poorer and being weakened to fight for his or her rights over institutions in which he has vested interest as a citizen or a potential investor.

The Nature of Law

Law has evolved as alternative to private feud and vengeance and as a supplement to the informal social process by which owner groups deal with disputes. Law as a means of maintaining public order suppresses deviant behaviour. Law forestalls social order facilitating co-operative action. Law constitutes and regulates the principal organs of power. In 2007, the Supreme Court of Nigeria declared the action of the then President Chief Olusegun Obasanjo where he declared, the seat of the then Vice-President; Alhaji Atiku Abubakar vacant as illegal, unconstitutional, void and of no effect as according to the apex court he has no such power.

Ezeagba (2009) opined that the law of a given community is the body of rules which are recognized as obligatory by its members. Law can be classified into: natural, man-made and divine laws.

The Nature of Equity

To Jegede (1981) equity simply means right doing, good faith, honest and ethical dealings on transactions or relationship between man and man or whatever is right and just in all human transactions and relationships.

In the technical juridical sense of the term "equity", equity means a special and peculiar department of the English legal system which was created, developed and administered in the Court of chancery.

For the purpose of this paper, the general juristic sense of the term equity fits into the topic of this paper and we shall concentrate our discussion on it.

Lord Denning, (1952) a foremost late English jurist in his work titled “the need for a new equity” expressed the view that the Court of Chancery are no longer courts of equity because they are fixed and immutable as the courts of law ever were. Lord Denning contended that there is need for a new equity which should not contend itself only with recording the law as it is, but law as it should be. In this sense, law should be a no respecter of person. Everybody should be equal before the law.

Class Structure in Nigeria

According to Kornblum (2000) classes are social strata which are based primarily on economic criteria such as occupation, income and wealth. Classes are generally open to entry by new comers at least to some extent in modern societies, there tends to be a good deal of mobility between classes. England is famous for its social classes and for the extent to which social classes defines how people are thought of and how they think of themselves. George Orwell, the author of *Animal farm* and in 1985, he also wrote about the English class system earlier in the twentieth century; when he lived among the homeless and the migrants workers at the very bottom of the class system and among miners. In the following passage, he ascribed how class affected his good or evil, of pleasant and unpleasant, of funny and serious, of ugly and beautiful are essential middle class notions, my taste in books and books; food and cloths, my sense of honour, my table manners, my forms of speech, my accent, even the characteristics of my body are the product of a special kind of upbringing and special niche half way up the social hierarchy. The same thoughts can be found in a typical Nigeria middle class citizen though modern classes are not homogenous - their members do not all share the same social rank.

There are variation in people’s material well being and in how much prestige they are accorded by others within a given class; these variation produce groups known as status group, are defined by how much honour or prestige they receive from the society in Nigeria.

The way people live (often referred to as their life style), the work they do, the quality of their food and housing, the education they can provide for their children, and the way their leisure time are all shaped by their place in the stratification system.

The way people are grouped with respect to access to scarce resources determined their life chances – that is, the opportunities they will have or be denied throughout life. Also the kind of education and health care they will receive, the occupations that will be open to them. The percentage of work force engaged in Agriculture in Nigeria according to Reddy (1994) was 54%. Having the single most important factor in determining survival however is income. At the extreme of poverty in Africa with per capital income of N800,000, life expectancy is 52 years. At the other end of the income spectrum in the United States, with annual per capita income of US 20,000, average life expectancy is 75 years.

All capitalist societies like Nigeria according to Karl Marx have objective classes - social classes, that an observer can identify by simply working at people’s visible, special relationships to the means of production in their society. The workers for example are easily identified as an objective class that does not own the means of production and sells its labour in return for wages. The capitalists are the objectives class that owns the means of production – the machines and property and buys the labour power of the working class.

To Marx, subjective class refers to the extent to which the people in a given stratum of society actually perceive their situation to improve its fortunes only by taking some of the power of another class (the capitalist). Being class conscious, a subjective class can form a political association that will allow them to fight effectively against the capitalist.

Towards An Accounting and Accountability Bridge

In our introductory remark in this paper, we posited that the most potent division in the Nigerian society is the gulf between the rich and the poor. The means and ownership of production lies in the hand of the affluent members of the society. The affluent through this ownership dictate the paltry wages paid to workers comprising mainly the poor.

To increase their capital base, the companies / enterprises owned by the affluent in the society have had to sale their shares to members of the public. The sale of shares through subscription has enabled the poor to be joint owners of the business set up by the affluent. However, the experience of investors in Nigeria since 2007 especially after the banking recapitalization exercise and global economic meltdown has been that of shock and dashed hopes.

Stocks that were over priced suddenly plummeted that shareholders investment diminished drastically. One reason for this trend was that financial accounting information on which the value of shares were determined did not represent the financial position of those entities as they are. Because of the serious nose diving of the share prices and the attendant losses incurred by the shareholders, there is general apathy in Nigeria now towards investment in stocks /shares.

Against this background, proper presentation of financial accounting information becomes paramount. If people are sure of the true network of the shares they buy and the return on investment over some years, people will again embrace investment in shares and thereby become joint owners of companies. This way, the class struggle will reduce and adherence to law by all and sundry and equality before the law will improve.

Accounting is a broad discipline concerned with identification, measurement and communication of economic data. Financial accounting which is an aspect of accounting is concerned with preparation and presentation of accounting information in line with relevant statements of accounting standards, principles, concepts and convention and in accordance with legal requirements.

A financial accounting report must be adequate, fair and full. Adequate disclosure is the most commonly used of the disclosure expressions. It implies a minimum amount of disclosure commensurate with the negative objective of making the statement not misleading. The main essence of financial reporting should be to provide users of financial statement with significant information to aid them in the making of decisions in the best possible way. This implies that information that is not material be omitted to make the presentation meaningful and understandable. Fair disclosure concept implies an ethical objective of providing equal treatment for all potential readers. Full disclosure on the other hand implies the presentation of all relevant information. To some, full disclosure means the presentation of superfluous information and therefore in appropriate. In summary, corporate reports need to reflect current value where they differ significantly from historical values (Osisioma 2004).

Thus financial reporting should provide information that is useful to present and potential investors and creditors and other users in making rational investment, credit and similar decisions. Another objective of financial reporting is to provide information to help present and potential investors and creditors and other users in assessing the amounts, timing and uncertainty of prospective cash receipts from dividends or interest and the proceeds from the sale, redemption, or maturity of securities or loans. Financial reporting should also provide information about the economic resources of an organization or enterprise, the claims to those resources (obligations) of the enterprise to transfer resources to other entities and ownership equity and the effects of transaction, events and circumstances that change its resources and claims to those resources.

Accounting and financial reports should be tailor-made and restructured to suit the particular environment where they operate in order to be useful. For the developing countries in particular, this will re-emphasise the need for greater relevance and usefulness taking into consideration the environmental variables of ignorance and unsophistication in interpreting accounting statements (Ezejelue 1978). A less developed country like Nigeria striving to develop is merely trying to improve on those economic and social indicators of underdevelopment, such as the Gross National Product (GNP), per capita income and the social factors.

The major criticism of the evolution of accountancy in Nigeria and other countries which have adopted the colonial system almost entirely is that due to a mixture of habit and vested interest, these countries have adopted principle and system of accountancy which originally evolved to meet the needs of United Kingdom capitalism a century ago. These principles and system have already shown to be of dubious relevance to the present day British economy and they are therefore, most unlikely to be appropriate for the entirely different social and economic environment of the developing world (Briston 1978). Instead of sheepishly embracing the colonial system, developing countries including Nigeria should concentrate upon an assessment of their information needs ... and should seek to establish training programmes to produce the staff for the provision and use of their information ... the influence of the UK accountancy bodies upon the developing countries is, on balance, highly determined.

The rich should be properly assessed for the purposes of determination of their income tax. The situation where the rich and affluent pay negligible amount as income tax in Nigeria while the middle class pay properly assessed income tax widens the class distinction in Nigeria.

Relevant tax laws especially as it concerns allowable tax reliefs should be adjusted from time to time to reflect the inflationary trend in the country. By this, the low income earners will have more disposable income thereby bridging the gap in income of the affluent and low income group in Nigeria. Because the Nigerian economy is not fully market driven, accountability should focus on the provision of information to the few in the private and public sectors who make decisions on the optimum use and allocation of resources towards enhancing development. Nigeria accounting system while meeting international standard should take into consideration the peculiarities of our developing economy.

All accounting information that will assist the user to assess the financial liquidity, profitability and viability of a reporting entity should be disclosed and presented in a logical, clear and understandable manner (SAS N0. 2).

Conclusion

The challenges of inequality, law and class structure in Nigeria can be reduced through economic empowerment of the various class structures in the Nigerian society. Accounting comes in here as an aid through provision of sound financial information about entities in Nigeria to assist would be investors with useful information for decision making on investment so that everybody who wishes can invest and be part of ownership of means of production.

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