

The Accounting Profession In Nigeria

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Bridging The Expectation Gap In Auditing: The Role Of The Accounting Profession In Nigeria

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ABSTRACT: The rise in public expectations in Nigeria especially with the series of financial failures that occurred during the recessionary years of late 1980's and 1990's when banks were certified as being profitable and within a year or two recorded sudden collapse. Members of the public queried the role auditors played when these banks were presenting healthy financial statements when they were in serious liquidity and profitability crises. These questions arose as a result of the wrong perception of the main audit objective by the public. These leads to auditors being very cautious about accepting absolute reporting responsibilities while the users of account statements on the otherhand become afraid of information risk. This study revealed and identified that there has been an existing gap between the assurances auditors provide on management-complied financial information and the expectations of investor and other financial statement users. Recent efforts to close the expectation gap have focused on influencing public opinion on the role auditors should play and changing professional standards to ensure an audit designed to provide reasonable assurance so that material errors, irregularities and misstatement in financial statements will be detected and not absolute assurance as desired by the investors. Investors views should serve as a reminder to the profession and individual auditors that professional audit standard of absolute do not dictate public opinion.

Keywords: Accounting; Auditing; Expectation gap; Financial statement; Investors; Misstatement

1 INTRODUCTION

The frequency with which the credibility of external auditors is being called into question in many countries around the world is quite shocking. This is evidenced by widespread criticisms and litigations directed against auditors. [1], reported that in the recent past, the world has experienced a rise in corporate failures, financial scandals and audit failures. Investors and financial statement users long have agreed on the usefulness of the audit of financial reporting but over the years auditors have been expected to provide assurance in varying degrees and for different purposes. There has been difference in the perception especially regarding assurances provided between users and auditors; this is termed expectation gap. This has stimulated firm debate among the accounting profession regulators and the public about the audit expectations gap. This is because the accounting information users often ask the stand point of auditor when the scandals were taking place. Some accounting information users therefore seem to partly blame the auditors for corporate failures. The phrase 'Audit Expectation Gap' was first made known into literature over twenty years ago (see [2]). He defined audit expectation gap as the difference between the levels of expected performance as envisioned by independent accountants and users of financial statements. [3], set out the extent of the audit expectation gap problem as follows:

- A burglar alarm system (protection against fraud)
- A radio station (early warning of future insolvency)
- A safety net (general re-assurance of financial well being)
- An independent auditor (safeguards for auditor independence)

Expectation gap can be defined as the gap between the auditor's actual standard of performance and the various public expectations of required standard of performance (as opposed to their required standard of performance). According to [4], expectation gap is the difference between what the public as well as financial statement users believe auditors are responsible for and what auditors actually believe their responsibilities are. Independent audit of financial statements has long been associated with the role of assurance, from which the

credibility of information presented by the management is, to a certain extent, guaranteed. This distinctive role of audit however, has led to varying perceptions over the level of assurance that may be expected from auditors [5]. Majority of the public expect that auditors should accept prime responsibilities for the financial statement and certification of financial statements. A clean opinion guarantees the accuracy of financial statements while auditors' performing a 100% check on the financial statement. The public argue that auditors should give early warning about the possibility of business failure and fraud detection. These public expectations of auditors which go superior to the actual standard of performance by auditors led to the term expectation gap. Auditing profession in the early years (from 1850 to early 1900) engaged in providing almost absolute assurance against fraud and intentional mismanagement. But as corporate America grew and the auditing profession developed, the early 1900 witnessed a drift from verifying all transactions and amounts for purposes of fraud detection to determining fairness in financial statement reporting, that is from 'true and correct' to 'true and fair' reporting [6], [7]. This drift was a response to the burgeoning volume of business activity (making fraud detection less feasible) and the appearance and increased importance of a new business player, the shareholders. [7], explained that the primary objective of an audit in the pre-1920's phase was to uncover fraud. This objective however varied by the 1930's, whereby the primary objective of an audit changed to verification of accounts. This was perhaps due to the increase in size and volume of companies' transactions which in turn made it difficult for auditors to examine all transactions. As a result, the auditing profession began to assert that the responsibilities of fraud detection rested with the management. Further, management should also implement appropriate internal control systems to avert fraud in their companies. Most of the users of accounting information may not have adjusted to the changed role of the auditors, hence the existence of an audit expectation gap. The audit expectation gap has two components, the first one being the difference between what the society expects auditors to achieve and what they can reasonably expect to accomplish, known as the 'reasonableness gap'; and the second one being the difference between the responsibilities society reason-

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Such is the approach of this article, which focuses on the development of the accounting professions in Nigeria. It critically examines the profession/ State. The growth of the profession however could be related to the establishment by act of parliament (no 15) of the institute of chartered accountant of Nigeria (ICAN) the main object of this institute as to regulate entry into the accounting profession by determine the standard of knowledge and skills to be attained. The Association of National Accountants of Nigeria (ANAN) was chartered on 25 August The government had given ANAN the mandate to compete with ICAN, and by the two organizations were fighting for control of the Chartered Accountants profession in Nigeria. Foundation and growth - Standards and authority - Relationship with ANAN. This study investigated ethics of accounting profession in Nigeria with a view to determine the degree of its adoption in professional practice and also to identify. Professional accountants in Nigeria are regulated by the Financial Reporting Council of Nigeria (FRCN) as well as at the professional level by two professional accountancy organizations operating in the jurisdiction the Association of National Accountants of Nigeria (ANAN) and the Institute of Chartered Accountants of Nigeria. The ICAN, with shared responsibility for the initial and continuing professional development (IPD and CPD, respectively) of professional accountants in Nigeria, . Development of the accountancy profession in Nigeria. Abstract. Over the years several, sometimes conflicting, theories attempting to explain. The Nigerian environment of accountancy profession has found it difficult to bring together accountants in the academics and in practice for the advancement of. Accounting profession is the one that speaks the language of business by providing The Nigeria Economy Scene and the Accountant. ABSTRACT: The study focuses on the history of the early development of accounting profession in Nigeria by carefully looking at the roles played by state in the dynamics that have helped shape the various developments of the accounting profession in Nigeria. Introduction. A discussion of the development of accounting. Abstract: This study investigated ethics of accounting profession in Nigeria with a view to determine the degree of its adoption in professional practice and also to. Business Failure - This chapter reveals an extensive and critical review of related literature. The literature which has been written generally and professional accounting bodies in Nigeria, the Institute of Chartered. Accountants of Nigeria, ICAN the Association of National. Accountants of Nigeria, ANAN. The Accounting profession in the Netherlands []. Preview. Select 50 years of accountancy profession in Nigeria: evolution and challenges. HF The act contained provisions that challenged the credibility of the accounting profession in Nigeria and almost threatened its very existence. This paper. Abstract: Prior to the Nigerian independence in , there was little professional accounting activity in the country, which was mainly in the multinational. Abstract: This study is an empirical investigation of the impact of ethical values on the practice of accounting profession in Nigeria. To achieve the purpose of this.

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