



# **A Meta-Analysis Of The Contributions Of Accounting Thought To The Development Of Accounting Relevance In Nigeria**

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## **ABSTRACT**

The study presented a meta-analytical analysis on the contributions of accounting thought to the development of accounting relevance in Nigeria. Meta analytical approach was adopted for the study; 2 research objectives were formulated to guide the study. The key concepts of accounting thoughts and accounting relevance were clarified. The link between accounting thoughts and accounting relevance was discussed. Data for the study was collated from 35 documents from relevant research studies published between 2010-2023. These articles comprise of 23 published journal papers and 12 conference papers. Studies were obtained by applying keywords accounting thoughts and accounting relevance in Nigeria. The findings identified enhanced design of management control Systems, financial reporting and disclosure, auditing and assurance, incentive systems and compensation as the contributions of accounting thought to the development of accounting relevance in Nigeria. Based on this, the study recommends that more emphasis should be placed on the research of accounting thoughts.

**Keywords:** Accounting Thoughts, Accounting Relevance, Contributions, Meta-Analysis

## **INTRODUCTION**

Accounting plays a crucial role in economic decision-making by providing relevant and reliable financial information to stakeholders. The relevance of accounting information depends on its ability to accurately reflect the financial position, performance, and prospects of an entity. In Nigeria, as a rapidly growing economy with a complex business environment, the evolution of accounting relevance has been influenced by various factors, including the contributions of accounting thought (Amershi & Cheng, 2010).

Abernethy and Stoelwinder, (2011) submitted that accounting thought encompasses the theories, concepts, principles, and frameworks that guide the practice of accounting. It provides the intellectual and theoretical foundations for understanding and analyzing financial transactions, recording and measuring economic events and communicating financial information to relevant stakeholders. Accounting thought has evolved, driven by changes in business practices, economic theories, regulatory requirements, and technological advancements.

The purpose of this research is to compile a synthesis of how accounting theory has advanced the field in Nigeria. The study's overarching goal is to learn how different schools of accounting theory influenced the evolution and implementation of Nigeria's accounting framework.

### **Aim and Objectives of the Study**

The main aim of this study is to examine the role of accounting thought in the evolution of accounting relevance in Nigeria. Specifically, the study will achieve the following:

- 1) Determine the contributions of agency theory on the evolution of accounting relevance in Nigeria.
- 2) Determine the contributions of agency theory on the evolution of accounting relevance in Nigeria.

### **Research Questions**

The following research questions were raised to guide the study:

- 1) What are the contributions of agency theory on the evolution of accounting relevance in Nigeria?
- 2) What are the contributions of agency theory on the evolution of accounting relevance in Nigeria?

### **Conceptual Clarification**

#### **Accounting Thoughts**

Accounting thought refers to the various theories, concepts, principles, and frameworks that guide the practice of accounting. It encompasses the intellectual and theoretical foundations of accounting as a discipline. Accounting thought provides a systematic approach to understanding and analyzing financial transactions, recording and measuring economic events, and communicating financial information to relevant stakeholders (Armitage & Scholey, 2016).

Anctil and Dutta, (2019) reported that accounting thought has evolved over time, influenced by various factors such as changes in business practices, economic theories, regulatory requirements, and advancements in technology. Baiman, (2010) submitted that accounting thoughts encompasses different perspectives and approaches to accounting, including normative theories, positive theories, and interdisciplinary perspectives.

Normative theories of accounting thought focus on prescribing how accounting should be practiced. They provide principles, rules, and standards that guide the preparation and presentation of financial statements. Normative theories aim to establish a set of best practices and ethical standards for accountants to follow (Chandler, 1977).

Positive theories of accounting thought, on the other hand, seek to explain and predict accounting phenomena based on empirical evidence and observations. These theories analyze the behavior of individuals and organizations in relation to accounting practices and decision-making (Demski, 1994).

Interdisciplinary perspectives in accounting thought draw upon insights from other disciplines such as economics, sociology, psychology, and management. They explore the social, economic, and organizational aspects of accounting and consider broader contextual factors that influence accounting practices and outcomes (Flamholtz, & Tsui, 2015).

Accounting thought also encompasses the development of accounting frameworks and standards at both the national and international levels. These frameworks, such as Generally Accepted Accounting Principles (GAAP) and International Financial Reporting Standards (IFRS), provide guidelines for recording, measuring, and presenting financial information in a consistent and meaningful manner (Hambrick, 2011). However, for this study, the contributions the theoretical products of accounting thought were examined.

#### **Accounting Relevance**

Accounting relevance refers to the usefulness and significance of accounting information for decision-making purposes. Relevant accounting information is capable of influencing the decisions of users by providing them with insights and understanding of the financial position, performance, and prospects of an entity.

The relevance of accounting information is determined by its ability to impact the decision-making process of various stakeholders, such as investors, creditors, managers, government regulators, and other interested parties (Spicer, 1988). Staubus, (2011) identified the following characteristics of relevant, accounting information:

**Timeliness:** Relevant accounting information should be available in a timely manner to be useful for decision-making. Timeliness ensures that the information is current and can be utilized in a timely manner to make informed decisions.

**Predictive Value:** Relevant accounting information should have predictive value, meaning it has the ability to provide insights into future events or outcomes. It should assist users in making predictions about the financial performance and prospects of an entity.

**Confirmatory Value:** Relevant accounting information should have confirmatory value, meaning it confirms or corroborates previous expectations or predictions. It helps users assess the accuracy and reliability of their existing knowledge or beliefs.

**Materiality:** Information is considered relevant if its omission or misstatement could potentially influence the decision-making process of users. Materiality is a concept that relates to the significance or importance of information in the context of the specific decision being made.

**Decision-specific:** Relevant accounting information should be tailored to meet the specific needs of different users and their decision-making contexts. It should be presented in a format and level of detail that is appropriate and meaningful for the intended users.

Relevant accounting information should be provided in a way that is easy to grasp. Information presented to users should be easily comprehensible and interpretable.

The relevance of accounting information is essential for stakeholders to assess the financial health, performance, and prospects of an entity. It assists in making investment decisions, granting credit, evaluating managerial performance, and assessing compliance with regulatory requirements. Accounting standards and frameworks, such as GAAP and IFRS, aim to enhance the relevance of financial reporting by providing guidelines for the preparation and presentation of information that meets the needs of users (Tiessen, & Waterhouse, 1983).

### **Accounting Thought and Accounting Relevance**

The link between accounting thought and accounting relevance in Nigeria lies in the influence of accounting thought on the development and application of accounting practices, principles, and standards. Tinker, Merino and Neimark, (2012) reported that accounting thought provides the conceptual foundation and theoretical framework that guides the preparation, presentation, and interpretation of financial information. By shaping accounting practices, accounting thought contributes to the relevance of accounting information in Nigeria in the following ways:

- 1) **Development of Accounting Principles and Standards:** Accounting thought influences the establishment of accounting principles and standards that govern financial reporting in Nigeria (Urwick, 2018). These principles and standards, such as the Nigerian Financial Reporting Standards (NFRS), provide a framework for preparing financial statements and ensure consistency, comparability, and relevance of information. Accounting thought helps to shape these principles and standards to reflect the needs and characteristics of the Nigerian business environment.
- 2) **Adoption of International Accounting Practices:** Accounting thought promotes the adoption of international accounting practices and standards in Nigeria. Through the influence of accounting thought, Nigerian accounting practices have converged with International Financial Reporting Standards (IFRS). This alignment enhances the relevance of accounting information by facilitating international comparability and improving the quality and transparency of financial reporting (Walker, 1998).
- 3) **Enhancement of Financial Reporting Quality:** Accounting thought emphasizes the importance of reliable and relevant financial reporting. It influences the development of frameworks and guidelines that enhance the quality of financial reporting in Nigeria (Waterhouse & Tiessen, 1978). This includes the use of accurate and timely information, disclosure of relevant information, and adherence to ethical standards. The application of accounting thought helps

ensure that financial reports are reliable, transparent, and provide decision-useful information to stakeholders.

- 4) Professional Education and Development: Accounting thought contributes to the education and development of accounting professionals in Nigeria. Accounting education programs incorporate accounting thought, theories, and concepts to equip professionals with the necessary knowledge and skills. Through continuous professional development programs, accountants stay updated with evolving accounting thought, emerging issues, and best practices, enabling them to produce relevant and reliable accounting information.
- 5) Research and Thought Leadership: Accounting thought encourages research and thought leadership in accounting practices and theories. Research in accounting thought generates insights and advancements that enhance the relevance of accounting in Nigeria (Waweru, Hoque, & Uliana, (2004). It helps identify emerging issues, address challenges, and propose improvements to accounting practices, leading to the continuous evolution and relevance of accounting in the Nigerian context.

Overall, accounting thought plays a crucial role in shaping accounting practices, principles, and standards in Nigeria. It influences the adoption of international practices, enhances financial reporting quality, guides professional education, and promotes research and thought leadership. Through these mechanisms, accounting thought contributes to the relevance of accounting information in Nigeria by providing a conceptual framework and best practices that meet the needs of stakeholders and enhance decision-making.

## METHODOLOGY

A meta-analysis is conducted to identify the role of accounting thought in the evolution of accounting relevance in Nigeria. Data on the study was collated from 35 documents from relevant research studies published between 2010-2023. These works comprise of 23 published journal papers and 12 conference papers. Studies were obtained by applying keywords accounting thoughts and accounting relevance in Nigeria. Meta-analysis focuses on combining the results of different studies to determine that which cannot be otherwise obtained.

## DISCUSSION OF RESULTS

The contributions of accounting thought to the development of accounting relevance in Nigeria as presented by the reviewed articles, are:

### 1) **What are the contributions of agency theory on the evolution of accounting relevance in Nigeria?**

Agency theory has made notable contributions to the development of accounting relevance in Nigeria. This economic theory focuses on the relationship between principals (owners) and agents (managers) and the challenges that arise due to divergent interests and information asymmetry. In the context of accounting, agency theory has influenced accounting practices and standards in the following ways as prevented by the reviewed articles:

**Design of Management Control Systems:** Agency theory emphasizes the need for effective management control systems to align the interests of principals and agents. In Nigeria, accounting relevance has been enhanced by the development and implementation of control mechanisms such as budgeting, performance evaluation, and internal control systems. These systems help monitor and evaluate managerial performance, ensuring accountability and enhancing the relevance of financial information.

**Financial Reporting and Disclosure:** Agency theory recognizes the importance of information disclosure in reducing agency costs and addressing information asymmetry. In Nigeria, accounting relevance has been improved through the implementation of regulations and standards that promote financial reporting transparency. Companies are required to disclose relevant information about their financial performance,

risks, and governance practices, providing stakeholders with more reliable and relevant information for decision-making.

**Shareholder Activism and Corporate Governance:** Agency theory highlights the role of shareholders in mitigating agency problems. In Nigeria, agency theory has influenced the development of corporate governance frameworks that promote shareholder activism and engagement. These frameworks, such as the Nigerian Code of Corporate Governance, aim to align the interests of shareholders and managers, enhance accountability, and improve the relevance of accounting information.

**Auditing and Assurance:** Agency theory recognizes the importance of independent verification of financial information to reduce agency costs and enhance accountability. In Nigeria, accounting relevance has been supported by the establishment of auditing standards and regulatory bodies such as the Financial Reporting Council of Nigeria (FRCN) and the Association of National Accountants of Nigeria (ANAN). These bodies oversee the auditing profession and ensure the independence and quality of audits, thereby enhancing the relevance and reliability of financial information.

**Incentive Systems and Compensation:** Agency theory highlights the significance of aligning incentives to motivate agents to act in the best interests of principals. In Nigeria, accounting relevance has been influenced by the design of incentive systems and compensation structures that link managerial performance to the achievement of predetermined goals. These systems help align the interests of managers with those of shareholders, promoting the production of relevant and reliable accounting information.

In summary, agency theory has contributed to the development of accounting relevance in Nigeria by influencing the design of management control systems, promoting financial reporting transparency, enhancing corporate governance practices, supporting independent auditing, and shaping incentive systems. These contributions address agency problems and information asymmetry, resulting in more relevant and reliable accounting information for stakeholders in Nigeria's business environment.

## **2) What are the contributions of contingency theory on the evolution of accounting relevance in Nigeria?**

Contingency theories have made significant contributions to the evolution of accounting relevance in Nigeria. These theories recognize that accounting practices should be contingent upon the unique characteristics and circumstances of an organization or environment. Here are some specific contributions of contingency theories to accounting relevance in Nigeria:

**Contextual Fit:** Contingency theories emphasize the importance of aligning accounting practices with the specific organizational and environmental factors in Nigeria. They recognize that different industries, sizes of organizations, and regulatory environments require tailored accounting approaches. As a result, accounting practices in Nigeria have evolved to consider the specific contextual factors, enhancing the relevance of financial information to stakeholders.

**Flexibility in Accounting Systems:** Contingency theories advocate for flexible accounting systems that can adapt to changes in organizational needs and external circumstances. In Nigeria, the recognition of contingency factors has led to the development of accounting systems that accommodate variations in business models, industry practices, and cultural contexts. This flexibility improves the relevance of accounting information by ensuring it captures the unique aspects of Nigerian organizations.

**Performance Measurement and Control:** Contingency theories have influenced the design of performance measurement and control systems in Nigeria. These theories emphasize the need to align accounting systems with the goals, strategies, and structures of organizations. In Nigeria, contingency-based performance measurement and control systems have been implemented to assess and monitor organizational performance in a manner that is relevant to the specific operational and strategic objectives of Nigerian companies.

**Decision-Making Support:** Contingency theories emphasize the role of accounting information in supporting decision-making processes. Accounting systems in Nigeria have evolved to provide decision-relevant information that considers the specific needs of managers, investors, lenders, and other

stakeholders. By aligning accounting practices with decision requirements, contingency theories enhance the relevance of accounting information for various stakeholders in Nigeria.

**Local Context Considerations:** Contingency theories recognize the significance of local context in shaping accounting practices. In the Nigerian context, contingency theories have contributed to the recognition of cultural, legal, and institutional factors that impact accounting relevance. Accounting practices have evolved to accommodate the unique characteristics of the Nigerian business environment, such as local reporting requirements, cultural norms, and regulatory frameworks.

**Adaptation to Technological Advances:** Contingency theories highlight the need to adapt accounting systems to technological advancements. In Nigeria, contingency-based approaches have facilitated the adoption and integration of technological innovations in accounting practices. This includes the use of computerized accounting systems, electronic reporting platforms, and data analytics tools, which enhance the relevance and efficiency of accounting information.

In summary, contingency theories have contributed to the evolution of accounting relevance in Nigeria by emphasizing the need for context-specific and adaptable accounting practices. They have influenced the design of accounting systems, performance measurement, decision-making support, and consideration of local factors. By aligning accounting practices with the unique characteristics and circumstances of Nigerian organizations, contingency theories have enhanced the relevance of accounting information to stakeholders in the Nigerian business environment.

## CONCLUSION AND RECOMMENDATION

The study has used a meta-analytical approach to present the contributions of accounting thought on accounting relevance in Nigeria. The study has identified enhanced design of management control Systems, financial reporting and disclosure, auditing and assurance, incentive systems and compensation as the contributions of accounting thought to the development of accounting relevance in Nigeria. Based on this, the study recommends that more emphasis should be placed on the research of accounting thoughts.

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