

13



ICAN JOURNAL OF ACCOUNTING & FINANCE (IJAF)

Vol. 1 No. 4

October 2012

Modelling an Inflation Accounting System for Nigerian Listed Firms by D. Yinka Mashood Salaudeen.

Sustainable Development and Profitability of Nigerian Quoted Companies by Dr. Sadq Abubakar Kasum.

Modelling Financial Information for Non-Bank Investment Decision Making in Nigeria Economy by Akparawa David Ekanem and Utibelma Ekanem.

Anatomy of Disclosure Index in Bangladesh by Dr. Hassen Shamimul Md and Prof. Syed Zabid Hassain.

Impact of Capital Market Reform on Asset Pricing Characteristics of Nigerian Stock Market by Osazevbaru H. Osahon

Risks and Uncertainties as Determinants of Size of Capitalised Banks in Nigeria by Dr. Mohammed Habibu Sabarl.

Dividend Payout Practices of Nigerian Quoted Banks by Dr. Chuks E. Nwude.

Investigating Liquidity-Profitability Relationship in Business Organisations: a Case Study of Selected Quoted Companies in Nigeria by A.T Okwu and I. D. Nworji.

Users' Perception of Relevance of Audit Committee Report in Corporate Reporting in Nigeria by O.O. Ilaboya.

Directors and Corporate Governance in the Banking Sector: Evidence from Nigeria by Dr. Jafaru Jimoh and Dr. F.O. Iyoha.

Stakeholder Perspectives and National Perception of Stakeholder Governance by E. P. Ebhomielen

A Publication of The Institute of Chartered Accountants of Nigeria

ICAN JOURNAL OF ACCOUNTING & FINANCE
A PUBLICATION OF
THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA

Editorial Board

Prof. Abhulimen R. Anao
Editor-in-Chief
Benson Idahosa University, Benin City.

Members

Prof. Taiwo Asaolu
Obafemi Awolowo University, Ile-Ife

Prof. C. U Uche
University of Nigeria, Nsukka

Prof. Francis Ojaide
University of Jos, Jos

Prof. K.I. Dandago
Bayero University Kano

Dr. Akintola Owolabi
Lagos Business School, Lagos.

Jim Obazee
Financial Reporting Council of Nigeria

Emmanuel G. Ogbonnaya
Director, Research & Technical, ICAN

Editorial Advisory Board

Prof. Amenkhiennan, F. E.	Radford University, Virginia, USA
Prof. Ariyo, A	University of Ibadan, Nigeria
Prof. Inanga, E L.	Nassaulaan, Maastricht, Netherlands
Dr. James, K.	University of Queensland, Australia
Prof. Tinker, T	Barunch College, City University of New York, USA

Managing Editor
Emmanuel G. Ogbonnaya

TABLE OF CONTENTS

PAGE

Editorial Board.....	i
Mission and Vision Statements.....	ii
Copyright Statement.....	iii
Call for Articles.....	iv
Table of Contents	v
Modelling an inflation accounting system for Nigerian listed firms by Dr. Yinka Mashood Salaudeen.....	9
Sustainable development and profitability of Nigerian quoted companies by Dr. Sadiq Abubakar Kasum.....	23
Modelling financial information for Non-Bank investment decision making in Nigeria economy by Akparawa David Ekanem and Utibeim Ekanem.....	35
Anatomy of disclosure index in Bangladesh by Dr. Hassen Shamimul Md and Prof. Syed Zabid Hassain.....	53
Impact of capital market reform on Asset Pricing characteristics of Nigerian Stock Market by Osazevbaru H. Osahon.....	73
Risks and uncertainties as determinants of size of capitalised Banks in Nigeria by Dr. Mohammed Habibu Sabari.....	85
Dividend payout practices of Nigerian quoted Banks by Dr. Chuks E. Nwude.....	105
Investigating liquidity-profitability relationship in business organisations: a case study of selected Quoted companies in Nigeria by A.T Okwu, I. D. Nworji & Oliwuru, T.C.....	123
Users' perception of relevance of Audit Committee report in Corporate Reporting in Nigeria by O.O. Ilaboya.....	139
Directors and Corporate Governance in the Banking sector: evidence from Nigeria by Dr. Jafaru Jimoh and Dr. F.O. Iyoha.....	155
Stakeholder perspectives and National perception of Stakeholder Governance by E.P. Ebhomielen.....	169

SUSTAINABLE DEVELOPMENT AND PROFITABILITY OF NIGERIAN QUOTED COMPANIES

by

Kasum, A. S. PhD, ACA

Department of Accounting and Finance
University of Ilorin,
Ilorin

ABSTRACT

The study is against the background that sustainable developmental practices usually involve financial outflows and hence, may be an unattractive investment to managers. Managers are likely to want to reduce expenses as much as possible to improve profit and this may be at the detriment of the environment. This study evaluated the impact of corporate compliance with accounting standards that are deemed to enforce sustainable development practices and can, therefore, imply sustainable development practices by Nigerian companies, on their profitability.

Forty-four companies that have existed since standardization began in Nigeria were studied over five years, using spearman rank correlation statistical technique that compared the ranking of compliance with ranking of profitability. It was discovered that compliance with sustainable development related standards by Nigerian companies does not affect profitability over the years studied. The study recommends that companies should engage in both internally and externally focused sustainable development activities.

Keywords: Sustainable Development, Profitability, Standardization, Quoted Companies

INTRODUCTION

Businesses, like all other stakeholders in a society, are faced with dual sustainable development challenges. The first challenge is internal sustainability while the second is external or global sustainability. Internal sustainability can be referred to as the going concern sustainability, which can also be referred to as the internal economic sustainable development (Newton-King, 2009). It is concerned with ensuring that current activities of the organization are conducted in a manner that will not hinder future activities. Global sustainability can be divergent in scope. It can be communal, national or universally focused. The essence of global sustainable development is that activities of business organizations are conducted in such a manner that both the current and future needs of the society are not compromised.

This places many responsibilities on the managements of organizations, who are required to strike a balance between corporate goals and communal interests. The most likely happening is that management, as a service to their employers, will focus more on internal sustainability against the communal sustainable development needs. 'In contrast to the above, many governments are pinning their hopes of economic growth and technological innovation on strong private sector growth' (Fourie, 2009).

For good corporate governance that especially takes care of the interests of all stakeholders, the issue of standardization cannot be done without. Standardization is the mechanism by which procedures of activities are regulated, so that common interests, rather than self-interests are promoted (Dixon, 2009). Standardization is adopted in many aspects of life globally, including provisions for the control of business activities. Some of the Accounting standards issued in Nigeria have provisions that promote sustainable development. These include the standard on fixed assets, employee retirement benefit and taxation. The aim of this study is to investigate if compliance with the accounting standards that are related to sustainable development issued in Nigeria has impact on the result of activities of Nigerian companies. The remaining part of this paper is divided into section two for methodology; three for review of related literature and section

four for results and conclusion.

METHODOLOGY

This study is an exploratory type that seeks to understand the impact of compliance with accounting standards that promote sustainable development. Samples for this study were drawn from the list of companies quoted on The Nigerian Stock Exchange. Forty-four companies that have filed reports with The Nigerian Stock Exchange from the commencement of standardization in Nigeria in 1983 up to 2007 are the sample for the study. The study was carried out over five years' range but with the specific records of the companies for 2002, 2004 and 2006. These records were collected from Lagos Stock Exchange. The financial statements of the 44 companies for 2002 were collected from the Stock Exchange Library in Lagos. The standards were subjected to content analysis, with the aim of, on a point-by-point basis, determining what the provisions therein are and consequently the requirement of the standards from the companies. By this, each point of compliance was identified and scores were assigned to each of the points. The financial statements were then examined for the extent to which they comply with the provisions, as set out based on the above. The degree of compliance index was, thereafter, computed as:

$$\text{Compliance score} = \frac{\text{Point scored}}{\text{Maximum possible score}} \dots\dots\dots(1)$$

Summation of score per standard divided by the number of standards applicable to the companies produced the aggregate compliance score for individual companies.

Spearman ranked correlation statistical method was used to investigate if compliance associates with business profitability. Because of the ties by some companies in the rankings, the study used the formula given as:

$$R = 1 - \frac{6(d^2 + X)}{n(n^2 - 1)} \dots\dots\dots(2)$$

where: d = difference between paired ranked values

n = number of pairs of ranking, and

$$X = \frac{t^3 - t}{12} \dots\dots\dots(3)$$

Where: t = number of tied rankings.

Statement of Hypothesis

Null hypothesis

Compliance with Standards that promotes sustainable development is not associated with profitability.

Decision rule: The result is between 'zero' and 'one' and the closer to one the result is, the stronger the association between compliance and profitability and vice versa. Alternative hypothesis, therefore, is accepted where correlation is strong (closer to one) and it is rejected if the correlation is weak (closer to zero). Positive and negative correlation results need be established to state if the relationship is favourable or not.

Literature Review

Sustainable Development in the Business Sector

According to Middleton (1995), there could only be theoretical justification for the removal of resources from environment in the comparative benefit of the removed resources, and in the ability to ensure that, the environment is, generally, not worse-off. Corporate governance is the concept that best describes the responsibility of business in sustainable development. According to the Brundtland report of 1987 of the United Nations, sustainable development is the 'development which meets the needs of the present without compromising the ability of future generation to meet their own needs'. The 2005 World Summit of the United Nation referred to economic ben

development, social development and environmental protection as the interdependent and mutually reinforcing pillars of sustainable development, which Davis (2009) explained as the economic development and the consumptive use of world's natural resources in ways that are sustainable. In other words, with the realization that resources are finite and that part of human responsibility is to preserve the human future on this planet into the limitless future.

On the other hand, Newton-King (2009) stated that 'economic sustainability evaluates whether a company has positioned itself for long-term growth rather than only short-term performance'. According to her, the company 'must be able to adapt to macro-economic trends and act in such a way that the long-term viability of the business is assured'. These are the two sustainable development issues for business. Corporate governance already incorporated these as it is 'concerned with holding the balance between economic and social goals and between individual and communal goals with the aim of aligning as nearly as possible, the interest of individuals, corporations and society (Dixon, 2009). Additional to this is the fact that 'many governments are pinning their hopes of economic growth and technological innovation on strong private sector growth' (Fourie, 2009).

Business Procedure Standardization

- ...(1) According to Russell (2007), standardization involves inspection, assurance and certification services aimed at regulating businesses, enforcing contracts and assurance for acceptable social and environmental behaviour expectations. Standardization that affects business exists as far back as the eighteen century, for weights and measures by French scientists. Several standards exist, today that have impacts on businesses worldwide. Perhaps, the most familiar and established set of standards are those on financial reporting. The standards usually prescribe what information to make available to stakeholders and the form in which the information should be prepared and presented. Accounting standards were developed as a guiding tool which defined how companies should display transactions and events in their financial statements, ensure the needed uniformity of practices, enlighten users of financial reports and provide a framework for preparation, presents and interprets financial statement (Kantudu, 2005; Oghuma and Iyoha, 2005; Blair, Williams and Lin, 2008; Kasum, 2009;).
- ..(2)
- (3)

Business accounting standardization, therefore, could be said to centre on financial reporting standardization, in a manner that stakeholders in business are adequately provided for. The standards make some provisions that facilitate the two sustainable development concerns of business. Dixon (2009) therefore opined that the move towards sustainable reporting is a welcome one in that it encourages a more positive response to sustainable development issues.

Sustainable Development Related Issues in Nigeria Accounting Standards

The Nigerian Accounting Standards Board now (Financial Reporting Council of Nigeria) has issued, to date, thirty accounting standards covering various business issues. Five of these standards are considered favourable to sustainable development.

Statement of Accounting Standard (SAS) No. 3 is on Accounting for Property, Plant and Equipment. "Property plant and equipment are tangible assets that have been acquired or constructed and held for use in the production or supply of goods and services and may include those held for maintenance or repairs of such assets; and are not intended for sale in the ordinary course of business". Most popular examples of property plant and equipment as contained in SAS 3 include land and improvements, building and plants and equipment (Statement of Accounting Standard No. 3: 1984). Property plant and equipment could be linked to internal sustainability of businesses. Statement of Accounting Standard No. 8 is on Accounting for Employees' Retirement Benefits. Contract is one of the fundamental principles identified by Gold (2005) in employee retirement benefits. The kind of contract needed, he posited, is that which may extend over a long period of

time, which will have force even after one party would rather no longer be bound by it. The type of contract may be explicit or implicit depending on the kind of engagement. Employment contracts may also incorporate options that may be absolute or conditional. "Economists expect contracts to be rational and efficient" (Gold, 2005). Employees' Benefits could be said to have both internal and external sustainable development consequences, because the welfare of an individual employee will not only influence productivity, but also spending behaviour in the economy.

Statement of Accounting Standard No. 9 is on Accounting for Depreciation. Depreciation is a systematic and rational process of distributing the cost of tangible asset over the life of assets. 'It is the process by which a company gradually records the loss in value of fixed assets... to spread the initial purchase price of the fixed asset over its useful life'. Lopes (2006) described depreciation as the periodic, systematic expiration of the cost of a company's fixed assets (except for land).

Various methods exist for calculating depreciation; two broad classifications could be made of the methods, as time based or usage based. According to Dunn (2004), whatever method to use should consider:

- the cost or revalued amount of the asset,
- the estimated economic life, and
- the estimated residual value of the asset.

According to Statement of Accounting Standard No. 9 (1989), depreciation is in respect of items of property plant and equipment otherwise referred to as fixed assets. Depreciation "represents an estimate of the portion of the historical cost or revalued amount of a fixed asset chargeable to operation, during an accounting period". Like the Property Plant and Equipment, depreciation could be linked to internal sustainability of businesses.

Statement of Accounting Standard No. 12 is on Accounting for Investments. Investment decisions of businesses have both internal and external implications and consequently the standard will have both internal and external sustainable development consequences. Assets held by an enterprise for the purposes of capital appreciation or income generation rather than production, trade or provisions of service qualify as investment. They are classified as short term if they are readily realizable and otherwise, classified as long term (Statement of Accounting Standard No. 12 1992).

Statement of Accounting Standard No. 19 is on Accounting for taxes. Tax behaviour of business has more external sustainable development implications. Tax could be defined as a compulsory levy imposed by the government on income, expenditure or properties of an individual or a concern viewed like contribution to government administration and/or payment for the use of public goods. It is also described as a compulsory levy imposed on a subject or upon his property by the government to provide security, social amenities and create conditions for the economic well-being of the society. Profit of any company, which accrued in, derived from, brought into or received in Nigeria are chargeable to tax (Ola, 1999; 350 - 362).

Taxes that affects a company can be classified to those paid directly by the company and those paid by the company on behalf of others. Those paid directly by the company can be classified to those on income and the ones on activities of the company. The general company income tax, petroleum profit tax (for upstream petroleum activities), education tax and capital gain tax are activities related. Taxes on dividend to owners and on emolument of workers are deducted on behalf of relevant tax authorities and remitted by the companies.

Results: Below are the results of activities (profitability) and compliance statistics for the companies under study.

Comp

A.G L

AFPR

AFRIC

BERG

CADB

CAP F

CAPP

CFAO

CHELI

COST

DN M

DUNL

FIRST

GLAX

GUINI

INCAI

JOHN

LEVEI

LIVES

MOBI

MORI

NIG. I

NIGEI

NIG. I

NIGEI

NIG V

NORT

P.S M

P.Z IN

PHAR

POLY

R.T B

ROAD

S.C.O

STUD

TOTA

U.A.C

U.B.A

U.T.C

UNIO

UNITI

VITAF

VONC

W. AF

Company Names	Profit After Tax					
	2002 ₦		2004 ₦		2006 ₦	
	Total	Pr Sh.	Total	Pr Sh.	Total	Pr Sh.
A.G LEVENTIS	59,565,000	0.06	240,992,000	0.12	468,000,000	0.21
AFPRINT	65,633,000	0.12	- 618,407,000	-1.10	11,974,000	0.02
AFRICAN PETROLEUM	2,156,893,000	9.99	890,120,000	2.06	2,161,530,000	2.74
BERGER PAINTS	85,941,000	0.40	101,542,000	0.47	81,678,000	0.38
CADBURY	2,249,078,000	3.00	2,812,623,000	2.81	-4,665,459,000	-4.66
CAP PLC	140,806,000	0.84	161,455,000	0.77	31 2,748,000	1.49
CAPPA & D'ALBERTO	25,509,000	0.26	126,114,000	1.28	127,946,000	0.65
CFAO	689,957,000	1.66	-1,123,119,000	-2.70	-1,225,053,000	-2.94
CHELLARAMS	31,305,000	0.26	56,127,000	0.31	72,500,000	0.20
COSTAIN(W. AFRICA)	20,048,000	0.13	- 469,010,00	-2.93	-1,488,639,000	-9.31
DN MEYER	75,333,000	0.52	62,680,000	0.32	60,753,000	0.21
DUNLOP	96,580,000	0.16	- 316,027,000	-0.42	- 667,356,000	-0.88
FIRST BANK	4,776,000,000	1.88	14,853,000,000	4.24	21,833,000,000	4.17
GLAXO SMITHKLINE	497,053,000	0.62	9 55,261,000	1.20	1,082,290,000	1.13
GUINNESS	4,149,536,000	5.86	7,913,503,000	6.71	7,440,102,000	6.31
INCAR NIGERIA PLC	- 18,422,000	-0.22	- 33,960,000	-0.41	1,008,000	0.00
JOHN HOLT	179,000,000	0.46	70,000,000	0.18	- 476,000,000	-1.22
LEVER BROTHERS	1,571,918,000	0.52	2,167,249,000	0.72	-1,617,615,000	-0.53
LIVESTOCK FEEDS	- 66,364,000	-2.68	- 237,114,000	-9.58	748,424,000	0.62
MOBIL OIL	474,230,000	2.47	1,759,468,000	7.32	1,716,208,000	7.14
MORISON INDUSTRIES	6,341,000	0.07	9,667,000	0.11	8,147,000	0.09
NIG. BOTTLING COY	4,170,544,000	4.28	3,032,322,000	2.33	766,248,000	0.59
NIGERIAN BREWERIES	9,218,954,000	2.44	5,086,403,000	0.67	10,900,524,000	1.44
NIG. ENAMELWARE	15,966,000	0.55	15,970,000	0.55	6,343,000	0.22
NIGERIAN ROPES	9,804,000	0.30	14,355,000	0.05	22,754,000	0.09
NIG WIRE INDUSTRIES	36,202,369	2.41	- 39,856,000	-2.66	- 18,969,000	-1.26
NORTH. NIG FLOUR	149,640,000	2.02	138,499,000	1.24	55,071,000	0.37
PS MANDRIES	31,804,000	0.80	10,557,000	0.26	8,427,000	0.21
PZ INDUSTRIES	1,685,918,000	1.16	3,303,662,000	1.90	3,235,587,000	1.27
PHARMA DEKO PLC	42,304,000	1.06	30,619,000	0.36	8,216,000	0.09
POLY PRODUCTS	21,053,000	0.09	12,209,000	0.05	725,000	0.00
R.T BRISCOE NIG. PLC	166,418,000	1.39	155,445,000	0.43	531,776,000	1.46
ROADS NIGERIA PLC	- 19,780,000	-0.99	- 4,783,000	-0.24	11,957,000	0.60
S.C.O.A NIGERIA PLC	104,000,000	0.21	- 327,000,000	-0.50	733,000,000	1.49
STUDIO PRESS NIG.PLC	- 47,629,000	-0.60	30,044,000	0.38	55,095,000	0.69
TOTAL NIGERIA PLC	2,514,087,000	8.46	2,778,904,000	8.18	2,516,693,000	7.41
U.A.C	1,166,200,000	1.28	1,570,100,000	1.37	3,203,600,000	1.25
U.B.A	1,566,000,000	0.92	4,525,000,000	1.77	11,550,000,000	1.64
U.T.C	- 370,565,000	-0.33	- 74,115,000	-0.07	52,561,000	0.05
UNION BANK	5,633,000,000	2.24	8,341,000,000	3.31	10,802,000,000	1.20
UNITED NIG. TEXTILES	1,074,344,000	1.27	132,087,000	0.16	- 756,502,000	-0.90
ITAFOAM	258,401,000	0.59	272,234,000	0.42	275,118,000	0.42
ONO	15,072,000	0.31	- 218,862,000	-4.53	134,000	0.00
U. AFRICA. PORT CEMENT.	-1,348,000,000	-0.79	-3,401,000,000	-1.98	10,678,000,000	3.56

Source: Nigerian Stock Exchange Fact Book 2003, 2005 and 2007

Compliance index

Company Name	Index					Avg score
	SAS3	SAS8	SAS9	SAS 13	SAS 19	
A.G LEVENTIS	1.00	0.67	1.00	0.75	0.67	0.82
AFPRINT	0.80	0.33	0.85	0.50	0.50	0.60
AFRICAN PETROLEUM	1.00	0.80	1.00	1.00	0.69	0.90
BERGER PAINTS	1.00	0.50	1.00	0.50	0.69	0.74
CADBURY	1.00	0.83	1.00	1.00	0.92	0.95
CAP PLC	0.90	0.83	0.85	0.50	0.77	0.77
CAPPA & D'ALBERTO	0.90	0.67	0.92	1.00	0.85	0.87
CFAO	1.00	0.83	1.00	0.50	0.77	0.82
CHELLARAMS	0.80	0.83	0.85	0.83	0.75	0.81
COSTAIN(WEST AFRICA)	0.80	0.83	0.85	0.80	0.62	0.82
DN MEYER	1.00	0.67	1.00	NA	0.92	0.90
DUNLOP	1.00	0.71	1.00	0.50	0.77	0.80
FIRST BANK	1.00	0.67	1.00	0.50	0.85	0.80
GLAXO SMITHKLINE	1.00	0.83	1.00	1.00	0.77	0.92
GUINNESS	1.00	0.83	1.00	NA	0.92	0.94
INCAR NIGERIA PLC	1.00	0.83	1.00	0.40	0.85	0.82
JOHN HOLT	0.90	0.83	0.85	1.00	0.77	0.87
LEVER BROTHERS	0.90	0.78	0.92	NA	0.62	0.81
LIVESTOCK FEEDS	1.00	0.83	1.00	NA	0.77	0.90
MOBIL OIL	1.00	0.67	1.00	1.00	0.93	0.92
MORISON INDUSTRIES	1.00	1.00	1.00	NA	0.77	0.94
NIGERIAN BOTTLING COY	1.00	0.83	NA	1.00	0.92	0.94
NIGERIAN BREWERIES	1.00	0.88	1.00	0.67	0.92	0.89
NIGERIAN ENAMELWARE	1.00	0.83	0.69	NA	0.92	0.76
NIGERIAN ROPES	0.60	0.83	1.00	NA	0.92	0.94
NIGERIAN WIRE INDUSTRIES	1.00	0.83	1.00	NA	0.54	0.84
NORTH. NIG FLOUR MILLS	1.00	0.83	1.00	0.50	0.92	0.82
P.S MANDRIES	1.00	0.67	1.00	1.00	0.92	0.81
P.Z INDUSTRIES	0.80	0.50	0.85	1.00	0.92	0.95
PHARMA DEKO PLC	1.00	0.83	1.00	1.00	0.92	0.92
POLY PRODUCTS	1.00	0.83	1.00	NA	0.85	0.92
R.T BRISCOE NIG. PLC	1.00	0.67	1.00	1.00	0.92	0.95
ROADS NIGERIA PLC	1.00	0.67	1.00	0.80	0.85	0.86
S.C.O.A NIGERIA PLC	1.00	0.67	1.00	0.25	0.50	0.65
STUDIO PRESS NIG.PL	0.90	0.67	0.92	0.50	0.85	0.73
TOTAL NIGERIA PLC	0.80	0.67	0.85	0.50	0.79	0.81
U.A.C	1.00	0.92	0.83	0.50	0.79	0.79
U.B.A	0.90	0.67	0.92	0.83	0.62	0.79
U.T.C	1.00	0.67	1.00	0.50	0.77	0.79
UNION BANK	1.00	0.83	1.00	0.50	0.62	0.79
UNITED NIG. TEXTILES	1.00	0.67	1.00	0.50	0.71	0.78
VITAFOAM	1.00	0.67	1.00	1.00	0.92	0.92
VONO	1.00	0.67	1.00	0.67	0.92	0.85
WEST AFRI. PORTLD CEMENT	0.90	0.83	0.92	NA	0.92	0.89
	0.90	1.00	0.92	0.80	0.93	0.91

Source: Author's Computations, 2009.

Correlation Statistics

2002 Correlation

Result of Absolute Analysis

Correlation Statistics

2002 Correlation

Result of Absolute Analysis

$$x = \frac{t^3 - t}{12}$$

$$= \frac{34^3 - 34}{12} = 3272.5$$

$$R = 1 - \frac{6(d^2 + X)}{n(n^2 - 1)}$$

$$= 1 - \frac{6(13421 + 3272.5)}{44(1935)}$$

$$= -0.17643$$

Result for Per Share Analysis

$$X = \frac{36^3 - 36}{12} = 3885$$

$$R = 1 - \frac{6(12965 + 3885)}{44(1935)}$$

$$= -0.18746$$

2004 Correlation

Result of Absolute Analysis

$$X = \frac{34^3 - 34}{12} = 3272.5$$

$$R = 1 - \frac{6(12691 + 3272.5)}{44(1935)}$$

$$= -0.12498$$

Result for Per Share Analysis

$$X = \frac{34^3 - 34}{12} = 3272.5$$

$$R = 1 - \frac{6(13660 + 3272.5)}{44(1935)}$$

$$= -0.19327$$

2006 Correlation

Result of Absolute Analysis

$$X = \frac{34^3 - 34}{12} = 3272.5$$

$$R = 1 - \frac{6(14940 + 3272.5)}{44(1935)}$$

$$= -0.263706836$$

Result for Per Share Analysis

$$X = \frac{45^3 - 45}{12} = 7590$$

$$R = 1 - \frac{6(15849.5 + 7590)}{44(1935)}$$

$$= -0.61695$$

Interpretation of Result

For 2002, the correlation result was -0.17643 and -0.18764 for the total and per share figure analyses. The average of the two is -0.181945, this is significantly far from 1 which would indicate a disassociation between compliance with the relevant standards and profitability of companies. The 2004 analysis based on total figures, scored an R of -0.12498 while per share R is -0.19327 with an average of -0.159125. Correlation for 2006 showed a nearly significant result. R for total figure analysis was -0.26371 while for per share figure, it was -0.61695. The result of per share figure analysis alone suggests that association exists between compliance with accounting

standards that prescribe sustainable development related behaviour, but the association is negative. This implies that compliance affects profitability in the reverse. The average of both total and per share figures for the year, however, was -0.440328, which is closer to zero than one.

TESTING OF THE HYPOTHESIS.

Five out of the six correlations in this study are closer to zero than one. Four out of these five have scores less than 0.2. The only result that is close to one is still about 0.4, which is still far from one. The six correlations scored an average of -0.260466, this is about a quarter of one and clearly closer to zero than one. Based on these results, we accept the null hypothesis that compliance with standards that promote sustainable development is not associated with profitability.

The meaning of this result is that compliance with standards that promote sustainable development by Nigerian companies, has nothing significantly to do with their profitability. This implies that whether they comply or not with those standards, their profitability situation is not really affected. It is however, important to state that the insignificant figures are negative, meaning that the small association revealed is not favourable to profitability. The implication of this is that compliance, no matter how small, could be associated with less profitability. As stated earlier the result is not significant enough to be alarming.

CONCLUSION

Based on the findings of this study, we conclude that compliance with those accounting standards that this study adjudged to promote sustainable development, by the companies listed on Nigeria Stock Exchange, does not affect their profitability. This result is informative in so many senses. Truly the standards promote sustainable development that fulfils the basic of sustainable development, long-term and sustainable profitability will be more an appropriate measure than short to medium term results. In line with the same thinking, rather than building immediate profits, economic sustainability would target building business assets that would be positioned to produce long-term sustainable future profits for the concern. All these relate to internal sustainability, which also aids global sustainability. Sustainable development from the point of view of the society, of course, may involve investment in the society and meeting obligations. These would usually involve resource outflows from the otherwise retainable incomes of businesses.

Based on the above, the study recommends that companies should engage in both internally and externally focused sustainable development activity, which should be evaluated in the light of positioning business organizations for better future profit, net-asset and market value. Finally, it should be pointed out that the result could also be understood in the sense that meeting the internal sustainable development needs of the organizations may reduce ability to meet external sustainable development demands from the society where the business operates and vice versa. Consequently, high performance in external sustainable development would likely tell of profitability, at least in the short-run.

References

- Blair, M.
- Davis, T.
- Dixon, P.
- Dunn, P.
- Fourie, J.
- Gold, J.
- Kantudu, A.
- Kasum, A.
- Lopes, R.
- Middleton, S.
- Newton, S.
- Oghuma, S.
- Ola, C. S.
- Russell, S.
- Brundtland, G.
- State of the Environment Report, 2002.
- State of the Environment Report, 2003.
- State of the Environment Report, 2004.
- State of the Environment Report, 2005.
- State of the Environment Report, 2006.
- State of the Environment Report, 2007.
- State of the Environment Report, 2008.
- State of the Environment Report, 2009.
- State of the Environment Report, 2010.
- State of the Environment Report, 2011.
- State of the Environment Report, 2012.
- State of the Environment Report, 2013.
- State of the Environment Report, 2014.
- State of the Environment Report, 2015.
- State of the Environment Report, 2016.
- State of the Environment Report, 2017.
- State of the Environment Report, 2018.
- State of the Environment Report, 2019.
- State of the Environment Report, 2020.
- State of the Environment Report, 2021.
- State of the Environment Report, 2022.
- State of the Environment Report, 2023.
- State of the Environment Report, 2024.
- State of the Environment Report, 2025.

References

- Blair, M. M., Williams, C. A. and Lin, L. (2008). 'The Role of Standardization, Certification and Assurance Services in Global Business', Comparative Research in Law and Political Economics Research Paper No 12/2008, 4(3), www.ssrn.com.
- Davis, T. (2009). 'What is Sustainable Development?', *Enviropedia*, www.enviropedia.com.
- Dixon, T. (2009). 'Sustainable Development: A Corporate Responsibility', *Enviropedia*, www.enviropedia.com.
- Dunn, P. E. (2004). 'Accounting for Depreciation and the Concept of Revenue and Capital Expenditure', *Accounting WEB*, www.accountingweb.co.uk.
- Fourie, A. (2009). 'Strategic Considerations for the Business Community to Shape a Sustainable Future', *Enviropedia*, www.enviropedia.com.
- Gold, J. (2005). 'Retirement Benefits Economic and Accounting: Moral Hazard and Fringe Benefit Design', *North American Actuarial Journal*, 9(2), www.google.com.
- Kantudu, A. S. (2005). 'The Degree of Compliance with the Requirement of Information to be Disclosed in Financial Statement by Listed Firms in Nigeria', *Abuja management Review*, 3(1), 26-46.
- Kasum, A. S. (2009). 'The Need for 'General Business Procedures and Practices Standards' to Holistically Guide and Regulate Businesses Worldwide and to, Importantly, Prevent Failure: An Empirical Based Proposition', *Proceeding of The 27th Standing Conference on Organizational Symbolism*, Copenhagen Business School, Denmark.
- Lopes, R. (2006). *Depreciation in Accounting*, Accounting Resources, www.cnx.org.
- Middleton, N. (1995). *The Global Casino: An Introduction to Environmental Issues*, New York, John Wiley and Sons Inc.
- Newton-King, N. (2009). 'Sustainable Development: Investment', *Enviropedia*, www.enviropedia.com.
- Oghuma, R. and Iyoha, F. (2006). 'Compliance with Accounting Standards by Quoted Insurance Companies in Nigeria: An Empirical Investigation', *Nigerian Journal of Education Research*, 7(2), 18-27.
- Ola, C. S. (1997). *Income Tax Law in Nigeria*, Revised Ed, Ibadan, Heinemann Educational Books Ltd.
- Russell, A. L. (2007). 'The America System: A Schumpeterian History of Standardization', *Progress on Point Release 14.4*, The Progress and Freedom Foundation.
- Brundtland Report, 1987: *Our Common Future*, UN Assembly Document A/42/427
- Statement of Accounting Standard No.3: Nigeria Accounting Standard Board (1984)
- Statement of Accounting Standard No.8: Nigeria Accounting Standard Board (1990)
- Statement of Accounting Standard No.9: Nigeria Accounting Standard Board (1991)
- Statement of Accounting Standard No.12: Nigeria Accounting Standard Board (1992)
- Statement of Accounting Standard No.19: Nigeria Accounting Standard Board (2001)
- Sustainable Development, Wikipedia: The free Encyclopaedia, www.wikipedia.org.