

**AN APPRAISAL OF THE ACCOUNTING SYSTEM OF MULTINATIONAL**

**(A CASE STUDY OF CADBURY NIGERIA PLC)**

**BY**

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**HND/23/ACC/FT/0507**

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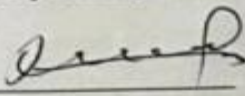
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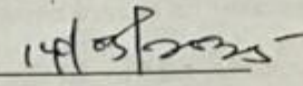
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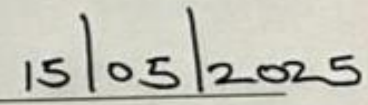
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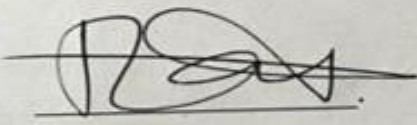
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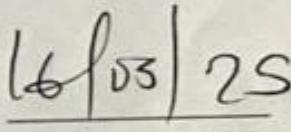
  
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## **DEDICATION**

This project work is dedicated to Almighty God whose window, strength and grace guide me the successful completion of this project to attain another height in my academic purpose and my beloved parent Mr. & Mrs ENITAN SUNDAY for their support and love at all time and everywhere towards me during my studies at Kwara State Polytechnic Ilorin May Almighty God bless them.

## ACKNOWLEDGMENT

In the course of one's life at each stage of life one can but realize that one's achievement is due to the help of the **ALMIGHTY GOD**.

My first gratitude goes to the **ALMIGHTY GOD** the author and finisher of my faith, the creation of the whole universe, who has in his infinite and everlasting mercy, see me through my course of study in Kwara State Polytechnic Ilorin.

He has always be the source of my wisdom, knowledge and understanding for the successful completion of my studies.

My sincere and special appreciation goes to, my beloved parent **Mr. Enitan Sunday Adio and Mrs. Enitan Funmilayo and my siblings Enitan Samson, Enitan Oluwasegun, Enitan Oluwadamilare, Enitan Oluwadamilola, Enitan Blessing Ayomide, Enitan Irekanmi, Enitan Elizabeth, Enitan Demilade and my uncle Mustapha Olalekan Abdulrasaq** you have been the one catering. For me since I was born up to this moment, I really appreciate you for your parental support both spiritually, morally and financially whenever I call you for money you never get tired you have never let me down for once I pray for you ma and sir may **GOD** grant you long life and prosperity. In good health and wealth, may you live long to reap the fruit of your labor, may **ALMIGHTY GOD** continue to enrich your pocket? You shall not

lack any good thing of life in Jesus Mighty Name [AMEN] I love you ma and sir.

I wish to lay on record and profound gratitude to my able marble supervisor in person of **Mr. Hassan A. O.** for the time, advice and correction he has made on my manuscript throughout this research work, Also my sincere appreciate goes to the Head of Department **Mr. Elelu M. O**, Project Coordinator **Mrs. Adegboye B. B.** and other lecturers in the Department who had work tirelessly to see me through to this level may **GOD ALMIGHTY** reward each and every one of you abundantly [Amen].

Finally, my appreciation goes to my lovely friends to appreciate my course mate **Afolarin Temitope Joy, Abdulkadir Adio Jimoh, Idris Gbolahan Adebisi, Azeez Abiodun and Olaide Omolare** I love you all, above all the horse is prepared for the day of battle but victory is of the lord my profound gratitude once again goes to **GOD ALMIGHTY** for the successful completion of this project, may his name be glorified and continue to be praise.

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# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1 BACKGROUND TO THE STUDY**

A multinational enterprise is a business enterprise that carries on operation in more than country through a network of branches, division, influenced invests and subsidiaries.

Multinational enterprises obtain raw material and capital in countries where such as plateful, multinational enterprises manufacture their product on nations where wage and other operating cost are lowest and they sell their product in countries that provide the most profitable market.

An accounting system is the possible ways or method in which accounting concepts may be applied to financial transactions.

Accounting policies refer to the accounting basic used by a company when accounting its financial statement.

Accounting system in multinational companies varies with the nature of operation type of business as well as the accounting standards principal and adopted by each company.

Accounting for multinational companies is one of several recognized specialists in the accounting, auditing, management accounting, behavioral accounting and financial information system.

The history of accounting is an international one double entry book-keeping often thought of as the genesis of today, accounting eliminated from Italian city-state of the fourteenth and fifteenth centuries, in due course, Italian city state book-keeping migrated to Germany, France, the lowland and subsequently to Britain, the Britain influence spread accounting and auditing techniques not only to north American but brought out the existing Britain common wealth.

Multinational enterprises face a number of reporting requirement not applicable to domestic enterprises.

### **1.2 STATEMENT OF THE RESEARCH PROBLEM.**

There are several problems that are faced in the appraised of the accounting system in multinational company's operation some of them are: -

- a. The conflict and difficult included by different national accounting standard and practices.
- b. The problem of adjusting financial statement to reflect the various level of inflation in different countries.
- c. The deficiency in the consolidation of the financial statement of foreign subsidiaries and the regulative affects in the multinational setting.
- d. The problem of determining the total return from a multinational setting

- e. The problem involved in foreign exchanged transaction into the accounting system in multinational company operation.
- f. Internalization of some technical accounting standards.

### **1.3 RESEARCH QUESTION**

To enable the study to achieve the stated objectives, the under listed research questions were formulated are as follows;

- 1. How can consolidation of the financial statement of foreign subsidiaries or affiliates effects on multinational settings.
- 2. Does accounting books on records being kept as well as the type of account preparing in relation with the nature of operation in existence?
- 3. Does accounting system effectively adopted by the multinational companies?

### **1.4 OBJECTIVES OF THE STUDY**

The specific objectives of the study are: -

- 1. To examine the effect of consolidation of the financial statement of foreign subsidiaries or affiliates on multinational settings.
- 2. To examine the kind accounting books on records being kept as well as the type of account prepared in relation with the nature of operation in existence.
- 3. To examine the accounting policies adopted by the multinational companies.

### **1.5 RESEARCH HYPOTHESIS**

- 1. Ho:- Consolidation of the financial statement of foreign subsidiaries or affiliates has effects on multinational settings.  
Hi:- Consolidation of the financial statement of foreign subsidiaries or affiliates have effects no on multinational settings.
- 2. Ho:- Accounting books on records has being kept as well as the type of account preparing in relation with the nature of operation in existence  
Hi:- Accounting books on records has not being kept as well as the type of account preparing in relation with the nature of operation in existence
- 3. Ho:- Accounting system has effectively adopted by the multinational companies  
Hi:- Accounting system has not effectively adopted by the multinational companies

### **1.6 SCOPE OF the STUDY.**

The scope of the study covers the following: -The requirement of various accounting standard and practice in multinational enterprises, accounting for braches, accounting for joint ventures, accounting for transaction involving foreign currencies (foreign branch and subsidiaries), computerized accounting system, business combination and consolidation financial statements.



## 1.7 SIGNIFICANCE OF THE STUDY.

This study will serve the following usefulness.

It will undoubtedly contribute tremendously to the accrete efficiency of the accounting system of the case study company and accounting system of the multinational company as a whole. It will also contribute to the adoption of a uniform international company. This study will need for proper accounting systems that meet international accounting standards.

## 1.8 DEFINITION OF KEY TERMS.

- A. WORKING CAPITAL:** This is referring to the administration of all aspect of current asset and current liabilities. Is also relates to the total investment in current assets or the different between current asset and current liabilities floating or circulating capital is sometimes use for this term.
- B. ECONOMIC ORDER:** The number of units which will quantity (EOQ) order at a time and while result in incurring minimum cost.
- C. INVESTMENT:** This is on asset held mainly for the purpose of increasing shareholder, wealth but is not in the principal line of the business of the firm.
- D. INVENTORY:** This is otherwise known as stock inventories, are asset held for render in the ordinary courtesy of business of goals that will be used or consumed in the production of goods to be said.
- E. OPERATING CYCLE:** The average time that it takes to convert raw materials into cash. These are defined as chime help against other for money, goods or services collectable within a year or the operating cycle whichever is longer.
- F. RE-ORDER LEVEL:** The print at which is essential and imperative during the next hading or operating period.
- G. HYPOTHESIS:** These are tentative statement open to criticism.
- H. SECURITIES:** These refer to share stock debenture or bonds treasury bills, commercial bank deposits e.t.c.
- I. BUDGET:** This is a financial and or qualitative statement prepared and approved prior to a defined period of time of the policy to be pursued during that period, for the purpose of affecting a given objective.
- J. CURRENT LIABILITIES:** Current liabilities are the obligation that reasonable expressed to be liquidated.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 INTRODUCTION**

Accounting system of Multi-National Companies operation have become veritable and most vital instruments and institutions for economic development, social change, technology, dynamism and in essence, new ideas (Singh, 1998)). Accounting system of multi-national companies operate within the contexts of environmental variables in locations other than their home-base countries. Multi-National Companies in Nigeria have their origin in locations other than Nigeria but subject beside the variables in their home countries, to variables in Nigeria.

By definitions Walton, Haller and Raffournier (1998), Accounting system of Multi-National are a form of collection of autonomous operating units under a distant control. Such operation units, according to Odusola (2002) are foreign direct investments, and to that extent, a growth-enhancing factor in the developing countries. The concept of MNCs is extended to describe a relationship similar to the parent and subsidiary form in which the parent company operates beyond the shores of the home country through affiliates in another country for activities involving the production of goods and services (Frank, 1989). According to Owojori and Asaori (2010), the MNCs, though transnational in nature, is usually tested by their ability to control more than thirty (30%) percent of the global gross products outside their home countries. This definition presupposes that a accounting system of Multi-National Companies cannot be so described if the parent group cannot control thirty (30%) percent and above of the global gross products. However, what is of interest is that the Accounting system of Multi-National Companies operates in countries other than their countries of origin. To this end, it is reasoned to think that MNCs are unlikely the same in terms of sizes, types, forms, complexities, and functions. In addition, the controls exercised over these companies are still shrouded in controversy in accounting literature (Mintzberg, 1979).

In addition, the challenges posed by the environment where the MNCs companies as well as the changes therein tend to affect the central control activities over the Accounting system of Multi-National Companies operates Besides, there is an interplay of subsisting framework in Nigeria where the MNCs operate and that of the home countries of these companies. The Nigerian Generally Accepted Accounting Principles (GAAPs) and the versions of GAAPs in other countries tend to impinge on the activities of MNCs in Nigeria.

There is no doubt, thus, that the Nigerian MNCs operate in complex and challenging environments ranging from the legal, political, cultural, technological and economic influences, among others. This myriad of challenges, bordering on subsisting frameworks and other challenges, lead to accounting practices that capture the MNCs framework in According to Igbal, Melcher and Elmallah (1997), given the multiplicity of reports, foreign investors may have to contend with understanding the content of the financial statements of the MNCs.

Generally noted, diversity in GAAPs tend to affect the MNCs if the quest for capital expansion and the need to raise capital in their countries of operation is anything to go by.

It is against the aforementioned submissions that this paper is written, to attempt a critical appraisal of the MNCs framework that forms the basis of financial statements preparation, translation and analytical issues.

## **2.2 CONCEPTUAL FRAME WORK**

### **2.2.1 Accounting System**

Accounting as a business language, has been recognized globally. It transcends national bounds. Accounting hinges on its ability to identify measure and interpret financial and economic variables to permit informed judgments (Adeniyi, 2008; Paul, 2009). Accounting does not have territorial bounds and therefore it is used to communicate the activities, existence and the evolution of the financial positions and performances of economic entities.

Accounting system activities are conducted in locations other than their home countries, and are therefore exposed to the environment of their host countries. According to Owojori and Asaolu (2010), the many-sided activities of the MNC lead to a lot of activities reflected in the accounting system. Foremost among the activities, are the mechanisms and methodology of seeking cross border quotations on various stock exchanges and transnational financing activities.

Accounting system of Multi-National Companies operates should be specifically defined to minimize conceptual misinterpretation of Multi-National Companies. This will involve a conceptual redefinition of the framework and the various criteria, such as location of ownership, orientation (home country; host country or world), or other features. This is to enable the Accounting system of Multi-National Companies operate situate the final financial reporting and the financial reporting requirements. In addition, Accounting system of Multi-National Companies operates would develop common reporting system (KPMG, 2008) that could streamline their reporting and reduce the cost of producing multiple financial reports.

These activities entail the ability to capture the special information needs of creditors and investors all around the world. The accounting systems of Multi-National Companies are complex and somewhat difficult to manage because of the inter-connection and web of relationships with other companies and locations which lead to the production of financial reports. The Multi-National Companies have accounting systems whose responsibility it is to produce financial statements which reflect a true situation of transactions captured in the system. Such a system can be very multifaceted; problems relating to the preparation of international operation occur because businesses with transactions in more than one country have to deal with more than one currency, accounting principles and reporting practices of different countries. Given these scenarios, the system concept of accounting of Multi-National Companies is very crucial considering the environment they operate.

Accounting system of Multi-National Companies operates and TNCs (transnational companies) have been used interchangeably. But the two concepts have been defined differently (Freeman and Persen, 1981 and Frank, 1981). And yet economists are yet to resolve the definitional problem in the concept of accounting system of Multi-National Companies operates. The economist sees Accounting system of Multi-National Companies operates as a company that: engages in foreign production through its affiliates located in several countries; exercises direct and distant control over the policies of its affiliates and implements business strategies in production, marketing, finance and staffing that transcend national boundaries.

### **2.2.2 Foreign exchange translation**

Issues of foreign exchange translation relate to the mechanism used to translate foreign currency balances to domestic currency equivalents. At what rate should a transaction be translated? For balance sheet purposes, method of (i) the current rate method (ii) current-noncurrent (iii) the monetary nonmonetary method and (iv) the temporal method are available with their strengths and criticisms. Given the fluctuations in exchanges rates, divergence in results and the range of dissimilarity in exposure, using different methods, the U.S and the U.K and Canada make pronouncements on the use of temporal method. Yet the temporal method assumes the use of historic cost or the current rate basis for all accounts balances.

This may not be realistic because the exchange rate of the time of transaction may be different at the exchange rate of financial report. Beside what would be the basis of depreciating a long term asset that have been held. Through firm tend to minimize fluctuation in exchange rate to reduce the possibility of loss on the foreign currency involved in the original transaction, the problem is how to account for the benefits and/ or cost arising from hedging activates. Besides, overseas operations, as distinct from normal operation of the companies, pose a problem in terms of accounting for such overseas operations or transactions.

### ***Costing procedures issue***

How does an MNC reconcile a costing procedure or method that minimizes profits and the operation of the company in a developing country? While developing countries, including Nigeria, have no transfer pricing regulations, the MNCs operating in the country rely on guidelines or regulations from their home countries. In most cases such guidelines tend to favour as such transfer pricing methods tilt towards minimizing their tax liabilities.

### **2.2.3 Countries with similar accounting systems should collaborate**

When countries have similar accounting system because of history and relationships, the regulations can work on bilateral or multilateral level. This can strengthen mutual recognition of each other's accounting standards. This will facilitate multinational offerings by MNCs companies.

In Nigeria with similar history with other Anglo-phone countries, similar accounting system could enhance the operation and financial reporting of MNCs. In addition, if the accounting system of MNCs

will be effective, the management teams across the MNCs should be those who can break cultural barriers; those who release their multi-skills to reflect global views of multi-country, multifunctional and multi-faceted activities in the international business.

### ***Adoption of global accounting framework***

In addition, an adoption of global accounting framework for the preparation of financial statements for MNCs and by extension world countries is advocated. Such global accounting framework should be principle-based to reflect true economic substance of transaction as opposed to the letter of law (Shortridge, 2004). With global accounting framework, national GAAP will be subsumed in global or harmonized GAAPs. There is need for a global framework in order to help the foreign investors not just to ease the understanding of the financial statements of the MNCs but to help aid the preparation of financial statements of the foreign companies.

The system concept of accounting as it relates to multinational organizations is very crucial in this write up since it strives to succeed in its existing environment. This depends on proper understanding of its economic, political and social systems and the proper application of accounting systems to its financial report for the prospective users (investors) especially.

### **2.2.4 National generally accepted accounting principles (GAAPS)**

GAAPSs are a collection of methods used to process, prepare and present public accounting information. GAAPs are, on the whole, very general in their methods, as they need to be somewhat applicable to many types of industries. GAAPs can be principle — based or based on specific technical requirement. Due to the fact that, in many instances, GAAPs are flexible and general, most industries in the U.S or in the U.K are expected to follow the GAAP principles in such countries. Nigerian GAAPs effectively are used by Nigerian companies such that foreign investors find it difficult to figure out issues that have to do with them because there are no disclosure requirements for them.

According to Ededegbe (2009), companies in Nigeria are subject to Nigerian GAAPs but are not confined to particular national GAAPs. GAAPs are a product of different stakeholders and organizations. In the U.S, the Financial Accounting Standard Board contributes to the U.S GAAP just as the Nigerian Accounting Standard Board Contributes to the Nigerian GAAP. GAAPs across countries vary but based on few basic principles of relevance, understandability comparability and consistency (Marlins-Kuye, 2010).

### ***Consistency***

This principle states that all information should be grouped and presented the same across all periods. According to Lewis and Pendrill (1996), Consistency requires that the measurement and display of the financial effects of like transactions and other events be carried out in a consistent way within each accounting period and from one period to the next, and in a consistent way by different entities. However, according to this principle, undue rigidity should be avoided in the event of a new accounting policy more appropriate to the circumstances of the entities.

### ***Relevance***

This principle suggests that information presented in financial statement and other public statements should be appropriate and assist the user to evaluate the statements to make educated guesses about the future state of the entity.

The Accounting Standard Board Draft principle on Relevance states that financial information contained in the financial statement is useful to the user of the financial statement if the information has the ability to influence the decisions of users by helping them evaluate past, present or future events or confirm or correct their past evaluation.

### ***Reliability***

This means that information contained in the financial statements must tell the truth, the whole truth; the information must be comprehensive and verifiable (Solomons, 1989); and such verifiability must be undertaken by an independent party. According to the Accounting Standard Board (1995), information contained in the financial statement has the quality or reliability when it is free from material error and bias and can be depended upon by users to represent faithfully what it either purports to represent or could reasonably be expected to represent.

### ***Comparability***

Lewis and Pendrill (1996) identify two aspects of comparability. This includes: the ability of users to compare the results of entity overtime, and to compare the results of different entities.

The former is termed time series analysis while the latter is seen as cross sectional analysis.

Comparability is one of the most important GAAPs categories. A company's financials and other documentation can be compared to similar business within its industry. This GAAP is so important such that without effective and meaningful comparisons between companies and within industry to benchmark how a company is doing compared to its peers, potential investors may be unable to come to meaningful decision.

This GAAP ensures that all companies, whether MNCs or not, are on the same level playing field and that the information they represent is consistently relevant, reliable and comparable. Based on the scenario described, it is interim clear that no GAAP can have universal application beyond the GAAP principles of relevance, understandability comparability and consistency.

### **2.2.5 Environmental factors and the choice of GAAPs**

Quite dearly, countries including Nigeria, do not adopt particular accounting standards, or GAAPs for their sake. Accounting standards or GAAPs represent or reflect several major environmental variables that impinge on their formulation. Principle among which are;

### ***The nature of creditors — company relationship***

According to Mueller, Gernon and Meek (1997), the country fits into three different relationship patterns. However, in all, the financial statements are oriented towards the information needs of a relationship that is large and powerful. Where the country has larger creditors — investor group, the needs of this group are likely going to be packaged through the orientation of the financial statements of the MNCs. The widespread ownership is usually uninvolved in the day-to-day running of the company. To this end, the objective of the financial statements is to describe the financial position and financial performance intended to assist investors and creditors to make sound economic decisions.

### ***Satisfaction of capital needs of small number of large financial institutions***

The criticality of personal contacts in a banking relationship has influenced the protection of the creditors through financial reports oriented towards their information needs. This is particularly the case in Japan and Germany. This point presupposes that financial reports tend to suit a financing institution to satisfy the capital needs of that company.

### ***Level of inflation***

The inflationary trends determine the development of reporting standards. In the U.S. where the inflationary trends are minimal, it uses the historical cost accounting as a measurement basis. If a country has experienced significant inflation, the historical cost principle may be adjusted; or better still, the current cost or value accounting becomes appropriate cost or value.

In addition, when examining a country's business environment in which a MNC operates and for which the financial statements are met, the size and complexity of businesses must be considered. Besides, the sophistication of the management and financial community and the overall general levels of education as well as the user's sensitivity to the use of financial statement may be also considered. Where the users' sensitivity to the use of financial statement is low, the demand for sophisticated set at financial statement will be low.

### ***Culture***

Cultural background has been known to affect the accounting development. Carr, Brinker and Sherman (2002) acknowledged the inconclusive debates on the relationship between culture and development of accounting. However, accounting research attempts to link culture to components of accounting concepts, standards and practices. To this end, diversity in accounting practices is acknowledged, considering the diversity in culture and the development of national standards. Besides, individual countries are known to be diversified in races, religions and geographical locale.

### ***Criticism of national GAAPs***

No one national GAAPs suffice; national GAAPs reflect cultural, racial, religious and geographical diversities. GAAPs or different GAAPs affect corporate managements of MNCs in several ways.

### ***Production of multiple financial reports***

Different sets of financial statements must be prepared in accordance with each country's standards, which is costly. MNCs also sense that accounting diversity affects competitiveness.

Yet, MNCs are expected to issue financial statements that reflect national GAAPs and securities regulation, thereby limiting the possibility of raising capital beyond their countries of operation. Such „uniqueness“ in national GAAPs and the differences that accompany them, make it difficult for MNCs not just to acquire, dispose or operate, but creates an unlevel playing field.

### ***Reluctance by professional accountants and other consultants***

National GAAPs tend to favour professional accountants and other consultants who see the diversity in GAAPs as a favourable development earn higher audit and consulting fees. This is because diversity in GAAPs tends to complicate cross border auditing and possibly consulting.

It is instructive to note that, despite the criticisms discussed above, no internationally recognized standards of accounting exist today; and principal problems and challenges impede the development of internationally recognized accounting standards. Ezejuele (2001) list them as: the failure of accountants or users to agree on the objective of financial statement; differences in extent to which accounting profession has developed in various countries; influence of tax laws on financial reporting; provision of companies laws in various countries; requirements of government and other regulatory bodies; diversity in environmental factors in various countries; inconsistencies in accounting practices recommended by accounting professions in different countries.

## **2.3 THEORETICAL FRAMEWORK**

### **2.3.1 Accounting System Theory**

Shillinlaw and Meyer (1983) defined Accounting as the process of measuring and identifying economic variables in individual businesses and communicating information based on these measurements to users who need to make informed judgments. Adesina (2008) saw Accounting as the act of collecting, classifying, recording and interpreting financial events of business for the purpose of making decisions on the financial state and progress of the business. According to Soyode (1982), Accounting is the act of measuring, communicating and interpretation of financial activities. It serves as a business language being practically used by nearly everybody in one form or another almost on daily basis. Abolarin (2006) opined that a system is said to be the composition of various components, while procedure is an order of doing things. For instance books of original entries cannot be entered unless source documents such as vouchers, cheque, receipts (received or issued) statement from invoices are firstly acquired. So also ledger cannot be opened without the books of original entries such as revenue books, expenditures books etc. Awe (2000) stated that a system usually comprise of component parts that relate or work together in the way that differentiates the overall system from any other. These component parts are called sub-systems. An accounting system is an embodiment of the general payroll, purchasing, sales, and costing and credit control systems. Interconnection and interactions of subsystems are called



interfaces.

According to Fredrick (1984) system is a set of objects with relationships between the objects and between their attributes connected or related to each other and to their environment in such a manner as to form an entity or whole. Examples of systems include a car engine, an organization, a society, an economy and the universe.

### **2.3.2 Determination Accounting system of Multinational Company.**

The following determine the type of accounting system employed by the multinational companies.

1. The accounting system adopted by the head office e.g. international accounting standard (I.A.S)
2. The accounting standard, principle and policies on the most countries, companies and allied matter degree. (CAMD 1990) bank and other financial institution decree.
3. Their nature of operation e.g. accounting system of Cadbury plc. Is different from that of international company.
4. The system of economy of the most countries for example a company operation in Italy and London also United State of America (USA) as will have that of an accounting system different from that, of company in Nigeria and Cameroon.
5. The level of economic development of the host countries for instance some countries such as United State of America, are developed some countries in Africa, like other are under develop as case of Cadbury plc to developing properly according to or names.

### **2.3.3 Branch Accounting System**

The term branch can be used to describe a business unit located to some distance from head office that carries merchandise, make sales approval, customer credit and make collection from its customers.

It is means by which a company extends its sales and services into area, which may be a considerable distance from the main place of operation, the degree of autonomy granted to branch is determined by the head offices.

Most branch maintain their own record of sales accounts receivable and recent from customer charges received from branch customer are generally deposited in a local banks, some branch has authority to pay for most expenses, while other are permitted to petty cash.

Branch accounting can be categorized as either centralized or decentralized.

- **Centralized Accounting**

Under this system of accounting a branch does not maintain a separate general ledger in which to recent its transaction, instead it send source document on sales. Purchases and pay to the head office, branch usually deposited cash receipt in local bank account which only the head office can draw upon. Where source document are received the head office reconciles sales information with bank deposit reviews and process invoice for payment and prepare pay role record where computerized accounting

system is the operation diskettes containing details of outlaying transaction if these branch are sent to the head office rather than sending source document or sales invoice also there are various accounting system package which are automatic and all relevant information on the operation of the branch could to obtained as soon as possible. In such situation the head office often makes use of code to differentiate each branch account as well as transaction, journal entries, inventories and fixed and account at each outlaying location are also recorded on the general ledger of the head office appropriately coded on signifying the location which they belong.

Computer are commonly useful in order to minimize the clerical where the operation of the branch as the aspect of keeping record and preparing financial statement. The head offices are able to review the operating statement for each outlaying location.

Centralized accounting system is usually practicable where the operation of the branch do not involves complex manufacturing operation or expensive retailing of services activities.

- **Decentralized Accounting**

Under this system of accounting a branch or a location main branch a separate general ledger on which it records its transaction.

Thus the branch is a separate accounting entity even through it is own journals entries and financial statement are submitted to the head office, usually on monthly basis, decentralize accounting system are common with companies that have complex manufacturing operation or expensive relating operation involving significant credit sales.

- **Branch General Ledger**

When a branch is established the head office opens account in its general ledger entitled more common branch or any other similar names.

These account are charge with every good to send the branch or services rendered to or for the branch and its is credited with amount received from the branch such account would also be credited as a result of expenses incurred by the head office for the benefit of the branch it is debited with the amount sent by the branch to the head office.

### **Foreign branches.**

Sometimes goods may be sent to the branch not at cost price but all cost price plus a coating to cover and handling the goods. If this done and adjustment is necessary before preparing the final account to reduce the value of the stock on hand at the branch by the amount of the loading.

In the case of a foreign branch the main complication arise because the financial record of the branches will be kept I different currency from that of the head office. No difference would arise if the entire item on the currency of the branch office trail become could be converted to the currency of the head office of the same rate.

#### **2.3.4 The summary of the requirement of the statement of accounting.**

The statement accounting, it is contain the information to be disclosed in the financial statement. This is also relevant to the disclosure should be made in appropriate section of financial statement of reporting Nigeria enterprises in addition to the above stated disclosures.

- a. The accounting policy with respect to treatment of foreign exchange conversions and translation.
- b. The net total gains or losses arising from charge in foreign exchange refer to the profit loss account.
- c. Restrictions if any on reproduction of investment or returns there on to Nigeria.
- d. The treatment given to foreign exchange gain and losses.
- e. Post balance sheet rate movement on transaction that have significant impact on the profit and loss, balance sheet items should be in notes to the account.
- f. The amount of gains or losses differed.

#### **2.3.5 Problem of multinational group of companies.**

A company can be referred to as one of the group of companies if one company controls the other company, that company will referred to as the controlling or parent company and the other as a subsidiary company.

A company can be said to be parent company in the following circumstances.

1. Where are company is a member of the other and control the composition of its board of directors.  
This is the most common situation and is linked with voting power. If a company holds more than half the voting power of another, the letter company is a subsidiary of the first company.
2. Where one company hold more than half in nominal value of the equity share capital of the other.  
Equity capital is defined under this section as issue share excluding any part there of where neither right to participate beyond a specified amount in a distribution, equity capital, this includes the men voting ordinary share.
3. Where the company is the subsidiary of the holding company subsidiary. If company A becomes the parent company of company B, then A automatically takes over as parent existing subsidiary of company

#### **2.3.6 Accounting practice (SSAP 20 foreign current transaction)**

The following are the overall objectives of current transaction as set in (SSAP 20) and financial statement.

The transaction of foreign currency transaction and financial statement should produce result with and generally compensation with the effort of rate charge on a company cash flow and it equity and should ensure that the financial statement present true and fair view of the result and relationship as measured

in the foreign currency financial statement prior to transaction. Those objective embodies the concept of the true, fair and in dealing with transaction regards should be given to the importance of the import of the rate charge on cash flow and equity. It reality the impart on each flow and equity might well not be same and the actual recommendation of the statement are not always compatible with the ideals of welting to reflect the impact of rate charge on cash flow.

However in broad item the standard provides a fairly reliable basis on with to work (SSAP 20) differentiate between the approach to be within a company and the process by which a subsidiaries or branch operation Established oversee is consolidated into the account of the parent. The question of consolidation is separately considered in the following aspect.

### **Individual Transaction**

This deal with the question of how one translates the foreign currency transaction of any entity into its local currency. The general approach rate in operation allow the using of average rate where major fluctuation do not occur and state that contracted rate should be used when the transactions are to be settled in accordance with the predetermined criteria.

### **Balance Sheet Transaction**

When considering the question of asset or liabilities denomination in foreign currency (SSAP 20) differentiated between monetary and non-monetary items.

Monetary items are whose value are denominated and fixed in monetary item for example creditor and debtor the rules are: -

1. Fixed asset should be translated at the exchange rate ruling when the asset were brought fixed asset are been brought in different data this rate will have to used for each separate purchase.
2. Depreciation on the fixed assets translated at the same rate as the fixed asset concerned.
3. Current asset and current liabilities should be translated at the rate ruling at the data of trial balance.
4. Opening stock in the trading account should be transacted at the ruling at the previous balance sheet date.
5. Goods sent by the head office to the branch or return from the branch should be translated at the actual figures on the goods, send to the branches, account in the head office books.
6. Trading profit and loss account items, other than depreciation opening and closing stock, or good sends to or return by the branch should be translated to the average rate for the period covered by the account.
7. The head office current account should be translated of the same figures as showed in the branch current account in the head office books. Equity investment and the related burrowing being taken to reserves.

- Treatment of exchanges gains and losses.

Exchange gains and losses arises during an accounting period where a business transaction was critically record or where appropriate their faster of the cost balance sheet date, exchange gains and cases also arise on unsettled transaction where the rate of exchange used previously. The statement requires that exchange gains and losses should be generally recognized in the profit and loss account for the period as arising from the ordinary activities which themselves would fail to be treated as extraordinary item, in which case they should be included as part of these items.

One exception to this general rule or is where foreign currency borrowings have been used to finance foreign equity investment subject to the conditions set out below the statement requires the foreign exchange impact revealing both the investment and the currency borrowing of current rate to be off set against reach of the reverse they requires conditions are: -

- a. that in any accounting period, exchange gain or losses arising in the related borrowing should be off set only to the extent that there are corresponding gains and losses on the equity investment
- b. that the total amount of foreign currency borrowing used for the purpose of this effect is no greater, then in the aggregate total amount of cash the equity investment are expected to be able to generate either by way of future profits or otherwise.
- c. That the accounting treatment adopted should be applied constantly from one period to the next.

### **Method and rates of transaction of foreign financial statement of subsidiary company**

The method used to translate financial statement for consolidated purpose should reflect the financial and other operation relationship a lock exist between an investing company and its foreign enterprises.

In most circumstance the closing rate and net investment method should be used and exchange difference accounted for on a net investment basis, however in certain specified circumstance the temper method and the monetary method should be used.

### **The closing rate and net investment method**

This method recognized that the investment of a company is the net worth of its foreign enterprise rather than a direct investment in the individual asset and liabilities of that enterprise.

The foreign enterprise unit normally have net current and fixed asset which may be financed partly by local currency borrowing. In it day to day operation, the foreign enterprise is not normally dependent on the reporting currency of the investing company may look forward to a stream of dividends but the net investment will remain until the business liquidated or the investment is deposited of.

Under this method, the amount in the balance sheet make exchange difference will arise of this rate differ from that ruling of the previous balance sheet or at the date of subsequent capital injection.

For this purposes the temporal method of translation should be used. The mechanics of this method are identical with those used in preparing the account of an individual company. It is not possible to select one factor which of itself will lead a company to conclude, the available evidence should be considered in determined whether the currency in the economic environment is which the foreign enterprises operate amongst the factor to be considered are:

1. The extent to which the functioning of the enterprises is dependent directly upon the investing company.
2. The extents to which the cash flow of the enterprises have a direct impact upon those of the investing company.
3. The major currency to which the operation is expose in its financial structure.

Multinational are therefore particularly affected because of the variety of inflation rate to which their business is exposed worldwide, moreover, there is no relationship in the short term between speculation charges in exchange rate and a connected may be established in the long run.

From an account view point, financial statement deal with short term period of one year and consequently fluctuation in exchange rate and charge in rate of domestic inflation may affect foreign subsidiaries.

## **2.4 EMPIRICAL REVIEW**

This paper has an infinite population consisting of all Multinational Corporations across the globe. As a non-survey study, the paper used literature analysis to review and critique on the conventional form of accounting system of multi-national corporations. The methodology is consistent with the work of Harper et al (2012) and Imoye and Ibadin (2013). Secondary data generated from documented sources were utilized and the major highlights used to draw conclusion.

This paper focuses on “appraising the framework of financial statements of MNCs, preparation, translation and analytical issues”. This has been achieved by examining the GAAPs, environmental factors and accounting system that guide the MNCs operation and form the basis of financial statements. Financial accounting and reporting systems in the world are reflections of their environments in which diversities in culture and accounting practices exist.

As MNCs conduct business in locations other than their home base countries, a common platform for these companies is required. But the challenges are there. The world business environment demands for principles-based framework and enforcement of a common global accounting system, and collaboration amongst countries with similar accounting systems, that would allow the MNCs users and investors to flourish. This can be achieved in the context of making informed investment and business decisions, and utilizing reports that are comparable across the globe. These decisions will include unhindered foreign direct investment and global expansion. An empirical study on the impact of national controls on the acceptance and compliance level with global accounting standards as they affect multi-national corporations.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 INTRODUCTION**

The term methodology describes all the activities involved in the collection of all necessary information required for the research project on the method that were used for collecting the data required in carrying out this research work.

This research is a process of finding out aspect of knowledge or idea which people have not known about, or which they are not clear about, it is also a process of finding out new information, new methods of doing things and extension of bounding of knowledge.

Methodology is a common thing to all types of researchers and scientific method is new generally use.

Research methodology in this chapter will touch on population and method of sample selection, the instrumentation data collection techniques and method of data analysis.

#### **3.2 RESEARCH DESIGN**

The research work was designed to reveal the information that is relevant to the an appraisal of the accounting system of multinational, the researcher conducted study on Cadbury Nigeria Plc. effort ensure the collection of relevant, adequate and reliable information that would help in better appreciation of problems at hand both the primary and secondary data were used to collect information and details.

#### **3.3 POPULATION OF THE STUDY**

The company was used as a case study because it is a manufacturing company involves in many facing of operation and also because a preliminary investigation of the company revealed that has a well-organized at the adequate staffed internal audit department. The main objectives of the internal audit department are to ensure management that the accounting systems are effective in design and operation. Cadbury plc at Ikeja, Lagos the head office was chosen study 10 questionnaires were distributed to various categories of staff in the account department of the company but 8 questionnaires were retired. Observation and oral interview were administered together addition information to those obtained by the use of questionnaires as a research method for collection of data brought with some limitation. The limitation manifested themselves in the course of the study first not all the question were refried the number of 8 out of 10 question.

#### **3.4. SAMPLE SIZE AND SAMPLING TECHNIQUES**

The sample size of the administrative and the supervisory top officials of the Cadbury Nigeria Plc. Population size of workers were 8 and out of this 10 the selected random sample will just be 8. That is, those that were distributed with the questionnaire. This was done because of effective preventative.

The conduct of field work took a total of three weeks. This was because the questionnaires were freckling; the reason for the refusal was either that the respondent is on external duty or that they have misplaced the questionnaire.

### **3.5. SOURCES OF DATA COLLECTION**

In this topic, cognizance has been accorded the type of data collecting techniques suitable for this research work. Consequently, both primary and secondary source of data collection were considered appropriate since the topic is more of practical than theoretical audient.

- A. Primary source of data collection: this has to do with raw information collected directly from the staff in the course of their routine activities, it include questionnaire.
- B. Secondary source of data collection: the secondary sources are the data that have been collected and documented. In this research work; consultation was made in textbook, business journals handbills, website and other literature which could be of help for the purpose at this research works some at the information gathered was also from the institutes library information unit about the internal control system and internal affairs.

### **3.6. INSTRUMENT FOR DATA COLLECTION**

The research made use of various from of method together data towards the successful completion of the research work. The data was gathered both with primary and secondary sources, they were based on personal observation, the use of validation questionnaire and personal interview.

From the secondary sourcing some relevant textbook related to this research topic have helped in immeasurable way toward the successful completion of the research work.

- a) **INTERVIEW:** oral interview is a method of data collection from people in a face to face contract. This makes it possible for the research to interact with those personnel concerned with the subject.  
This designed was together, valid and valuable information through the responses to the interview to planned sequence of question which has been prepared before the interview date.  
Successful interview was conducted with some personnel of the company with encourage responses to the interview to a planned sequence of question.
- b) **VALIDATE QUESTIONNAIRE:** this is the most important method which the research used for the collection of data. It enable of data, it enable. The researchers to obtain a reliable and detailed information of the subject matter.  
The research designs the questionnaire in such a way that it caters the related information needed to make this write up a complete project. The questions used cover the purchasing function in relation to the right sourcing of suppliers and supplier evaluation. It importance and effectiveness in the manufacturing industry.
- c) **OBSERVATION:** this refers to the ability of the research to study the importance of supplier in the company. This is necessary to see whether there are change in the operational method from what it was in the past.  
The essence of an observation is to give the research the ability to share in the life and activities



of the phenomenon being studied during the research work. The researcher also had the opportunity and profitable to go through evaluation policy of the organization.

### **3.7.TECHNIQUES OF DATA ANALYSIS**

The researcher made use of some or applied store techniques in analysis, the data collected from respondent, especially that of the questionnaire, pre-chart representation are used to analysis the data collected from the respondents.

The pre-chart presentation represents the primary process of banding data information from employee of Nigeria, Cadbury Nigeria plc. As a main of summarizing data essentially. The pre-chart reduced the simplified detail given in a mass of data into easily comprehensive from thereby improving their digestibility.

## CHAPTER FOUR

### ANALYSIS AND DISCUSSION

#### 4.1 INTRODUCTION

For the purpose of this, only type of the data was used, this is the description method of data analysis. Data collected was analyzed using table, simple average and graphed interpretation was based on the derives.

#### 4.2 RESPONDENT CHARACTERISTIC AND CLASSIFICATION

The questions are derived from the research question arranged in logical sequences of important to the research topic. Table prepared to analysis the responses to the responses of respondent to the topic on band bases in the responses table of discussion were drawn and intenerated.

**TABLE 4.1**

**RESPONSE OF THE TYPE OF ACCOUNTING IN OPERATION IN YOUR COMPANY  
(QUESTION 9)**

The type of accounting system in operation in your company	Number NO	Percentage %
A. Centralized accounting	6	75
B. Decentralized accounting	1	12-5
C. Inter-group accounting	1	12-5
D. None of the above	-	-
E. Other	-	-
Total	8	100%

Sources: field work 2023

The table share the response to the type of accounting system in operation in the company.

It is observed that 6 (75%) of the 8 respondents choose the centralized accounting system while 1 (12.5%) believed that inter-group accounting is the system in operation in the company.

Conclusion: - it is therefore believe that centralized accounting system is in operation in the company.

**TABLE 4.2**

**RESPONSE TO THE COST AT WHICH THE OVERSEES PARENT COMPANY DISCHARGES INVESTORS TO THE REGIONAL BRANCHES OUTSIDE THEIR LOCALITY**

**(QUESTION 10)**

The cost of which oversees parent company discharge inventories to the regional branch outside their locality	Number NO	Percentage %
A. At Cost	2	28.5
B. At Cost Plus Make Up _ Perverse	3	43
C. At cost plus margin	2	28.5
D. At the selling price	-	-
E. Non of the above	-	-
F. Other	-	-
Total	70	100%

Sources: field work 2023

From the above table it is observed that 2(28.5%) of the respondent were of the opinion that inventories discharge by oversee parent company to regional branch outside their locality of cost 3(43%) believed that inventories were discharge of cost plus make up percentage while 2(28.5%) believed that they are at selling price.

Conclusion: It is believed that the inventories are discharge of cost plus make up percentage this is because of the fact that this option enjoys are proper support than other.

**TABLE 4.3**

**RESPONSE TO THE CLASSIFICATION OF THE EFFECTIVENESS OF ACCOUNTING SYSTEM OF MULTINATIONAL COMPANIES IN NIGERIA.**

**(QUESTION 11)**

Classification of the effectiveness of accounting system of multinational companies in Nigeria	Number NO	Percentage %
A. Very satisfactory	4	50
B. Satisfactory	3	37.5
C. Not very satisfactory	-	-
D. Not satisfactory	-	-
E. Indifferent	1	12.5
Total	8	100%

Sources: field work 2023

Table 4.3 indicate that 4 (50%) of the respondent believe that the level of effectiveness of accounting system of multinational companies is very satisfactory 3 (37.5%) believe that the level of effectiveness is satisfactory while 1 (12.5%) indifferent.

Conclusion: it is believed that the effectiveness of the accounting system is very satisfactory to most of the despondence.

### 4.3 PRESENTATION AND ANALYSIS OF DATA

**TABLE 4.4**

**RESPONSES TO THE TYPES OF COMPONENT OF ACCOUNT IN OPERATION IN A MULTINATIONAL ENTERPRISE (QUESTION 12)**

The type of components of account in operation in multinational enterprises	Number NO	Percentage %
A. Branch account	2	25
B. Manufacturing account	-	-
C. Company account	-	-
D. Consolidation account	2	25
E. All of the above	4	50
F. Other	-	-
Total	8	100%

Sources: field work 2023

Table 4.4 indicates that 2 (25%) of the respondent believe that branch accounting is used to prepare the account of most of the multinational company 2 (25%) believe that consolidated accounting is used which 4 (50%) of the respondent believe that in preparing the account of multinational company, all the option (i.e. stated) are used of different stage before a complete financial statement its derived.

Conclusion: it is therefore, believed that a multinational company can only prepare a complete financial statement offer preparing branch account, company account, manufacturer account and consolidation financial statement.

**TABLE 4.5****RESPONSE TO THE PRINCIPLE LEDGER ACCOUNT USED IN PREPARING MULTINATIONAL ACCOUNTS (QUESTION 13)**

The principal ledger account used to preparing multinational account	Number NO	Percentage %
A. Purchase ledger	-	-
B. Sales ledger	-	-
C. Cash ledger	2	25
D. General ledger	-	-
E. All of the above	6	75
F. Other	-	-
Total	8	100%

Sources: field work 2023

From the table 4.5, it has shown 2 (25%) of the respondent choose other general ledger while 6 (75%) believe that the purchase ledger sales, general ledger and cash book from the principal ledger account used in preparing the account of multinational companies.

Conclusion: it is therefore believed that options A to D are the main ledger account of multinational.

**TABLE 4.6****RESPONSES TO THE VARIOUS SOURCE DOCUMENTS BEING USED IN YOUR ACCOUNT DEPARTMENT. (QUESTION 14)**

The various source documents being used in your account department.	Number NO	Percentage %
A. Sales journal	-	-
B. Purchase journal	-	-
C. Invoice	1	17
D. Receipt	-	-
E. Voucher		-
F. All of the above	5	83
G. Other	-	-
Total	6	100%

Sources: field work 2023

From the table 4.6, its show that 1 (17%) of the respondent believe only invoice are used or source documents, which 5 (83%) believe that the book of original entry are being used in the company account department and vouchers.

Conclusion: it could therefore be interred that option A to E are the various sources documents being used in the company account department.

**TABLE 4.7****RESPONSES TO THE ACCOUNTING CONCEPTS BEING ADOPTED IN PREPARING THE COMPANY FINAL ACCOUNT (QUESTION 15)**

The accounting concept being adopted in preparing the company final account.	Number NO	Percentage %
A. The monetary concept	1	12.5
B. Historical cost concept	2	25
C. The business entity concept	-	-
D. The stable monetary concept	-	-
E. The internal concept	-	-
F. The double entry concept	-	-
G. Accrual concept	-	-
H. The foreign concern concept	-	-
I. The machine concept	-	-
J. Realization concept	-	-
K. All of the above	5	62.5
Total	8	100%

Sources: field work 2023



From table 4.7 question is multiple choice answer, however, 1 (12.5%) believed that the stable monetary concept being adopted 2 (25%) believed that only the historical cost concept is used which after 5 (62.5%) believed that all the accounting concept listed above is adopted in preparing final account.

Conclusion: it is believed that all accounting concept used above is being adopted by the company in preparing its final account.

**TABLE 4.8**

**RESPONSES TO THE EFFICIENCY OF THE COMPANY ACCOUNT DEPARTMENTS STAFF (QUESTION 16)**

The efficiency of the company account department staff.	Number NO	Percentage %
A. Verjhny efficient	6	86
B. Efficiency	-	-
C. Not very efficient	2	14
D. Not efficient	-	-
E. Indifferent	-	-
Total	8	100%

Sources: field work 2023

Table 4.8 indicate that 6 (86%) of the respondents believed that the company account staff are very efficient as the performance of their duties which 2 (14%) or the option that staff are not very efficient.

Conclusion: it is believed that the company account staff are very efficient.

**TABLE 4.9****RESPONSES TO THE WHETHER OR NOT THE PARENT COMPANY SHOULD CLOSE THE EQUITY METHOD OF A ACCOUNTING FOR AN INVESTMENT ON THE PREPARED STOCK OF A SUBSIDIARY (QUESTION 17)**

Whether or not the parent company should use the equity of accounting for an investment or the prepared stock of a subsidiary	Number NO	Percentage %
A. Yes	4	68
B. No		
C. Indifferent	2	32
Total	70	100%

Sources: field work 2023

Table 4.9 show that 4 (68%) of the respondent believed that the equity method of accounting should be used by the parent company for an investment on the present stock of the subsidiary, which 2 (32%) of the respondent are indifferent with this method.

Conclusion: the equity method is the appropriator method as indicated by the respondent.

**TABLE 4.10****RESPONSE TO THE CIRCUMSTANCES, THAT MAY DEMAND THE EXTENSION OF A SUBSIDIARY FROM CONSOLIDATION**

The circumstance that may demand the extension of a subsidiary from consolidation.	Number NO	Percentage %
A. If consolidation will be misleading because of it dissimilar activities from those of their companies with the group		
B. If the holding company has contractual or other restriction composed on its ability to appoint the majority of the board of directors.		
C. If the control is interested to be temporary.		
D. If the subsidiary is in foreign country		
E. If the subsidiary is a finance company.		
F. If the subsidiary is a bankruptcy		
G. All of the above		
Total	6	100%

Sources: field work 2023

Table 4.10 show that all the respondents were of the opinion that all factors of circumstance listed above may demand extension of a subsidiary from consolidation

**TABLE 4.11**

**RESPONSE TO THE APPROPRIATE BASIC FOR VALUING PLANTS ACQUIRED IN A PURCHASE TYPE BUSINESS COMBINATION (QUESTION 19).**

Appropriate basic for valuing plants acquired in a purchase type business combination.	Number NO	Percentage %
A. Current fair value	2	25
B. Carrying amount	-	-
C. Original cost plus excess of purchase price over carrying amount of the plants acquired	4	50
D. Original cost	2	25
E. All of the above	-	-
F. Other	-	-
Total	8	100%

Sources: field work 2023

Table 4.11 indicate that 2 (25%) of the respondent believed that the current fair value is the appropriate basis for valuing plants acquired on a purchases type business combination while 4 (50%) believe that the original cost plus excess of purchases were carrying amount of the plant acquired is the appropriate basis 2 (25%) believed only the original cost should be applied to value such plants.

Conclusion: it is therefore concluded that the original cost plus excess purchase over carrying amount of the plant acquired is the appropriate basis for valuing such product.

**TABLE 4.12****RESPONSE TO THE TREATMENT OF A GAIN FROM THE TRANSLATION OF FOREIGN CURRENCY FINANCIAL STATEMENT (QUESTION 20).**

The treatment of a gain from translation of foreign currency financial statement.	Number NO	Percentage %
A. Included in net income of the accounting period in which occur	6	75
B. Differed and amortized over a period net exceeding in year	-	-
C. Deferent unit subsequent accounting	2	25
D. Included as a superior item in the equity section of the balance sheet	2	25
E. All of the above	-	-
F. Other	-	-
Total	8	100%

Sources: field work 2023

Table 4.12 show that 6 (75%) of the respondent were of the opinion that such gain be included in the net income of accounting period in which is over, which 2 (25%) believed that such gain should be differed until a subsequent account period when a loss occurs and off set against that loss.

Conclusion: it is believed that such gain should be included in the net income of the accounting period.

#### 4.4 TESTING OF HYPOTHESIS

Testing of hypothesis was done, using the chi — square (X<sup>2</sup>) test. The chi- square (X<sup>2</sup>) test is an important extension of hypothesis testing and is used when it is wished to compare actual or expected distribution. It is a c  $X^2 = \frac{e(o-e)^2}{e}$  Iness of fit test. The formula for the calculation of chi — square (X<sup>2</sup>) is as follows.

Where: o =the observed frequency of any value

e = is the expected frequency of any value to use the chi — square (X<sup>2</sup>) test tables are made use of the observed frequency of the responses to the questionnaire. Questions (01) will be represented by the total in the table. The expected frequency (E1) is gathered by using the formula:

$$E = \frac{nR \times Nc}{N}$$

Where; nr = Number of row

Nc= number of Columns

N= sample size that is total number of responses the decision criteria or rule is used to be able to get the findings from the hypothesis testing.

Accept H<sub>0</sub> where  $X^2 < U$ , otherwise reject H<sub>0</sub> where  $X^2 > U$  Here,  $X^2$  = observe chi- square value which is derived from  $X^2 U = \frac{E(o-F)^2}{E} 52$

Where: U= critical chi — square value derived from the chi — square table.

To determine the degree of freedom used;

$$(R - 1) (C - 1)$$

Where: R = number of Rows

C = number of Columns

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATION**

#### **5.1 SUMMARY**

This study was basically an investigate on which south of identify and evaluate those variable that contribute significantly forwards achieving organization goals.

The following are the highlight of major finding centralized accounting system is in operation in such companies and this private adequate control and proper monitoring of the operation of other branch, which may prevent and can easily direct fraud and errors.

The oversees parent company discharge inventories to regional branch outside their locality at other plus commission (buying commission).

It was discovered that the effectiveness of accounting system of multinational companies in Nigeria is very satisfactory.

The main types of account in a multinational purpose are branch account, manufacturing account, company account, considered account.

The principal ledger account being used in preparing multinational account are, sale journal, purchase journal, invoices receipts and vouchers.

It was discovered that the staff in the account department are very efficient.

It was revealed that the parent company should use their equity for an investment in the preferred stock of a subsidiary to maintain the parent company concept.

A subsidiary may be excused from consolidations any of the following circumstance exists:

1. The consolidation may be misleading because of its will to the group.
2. The holding has contractual or other restriction imposed on its ability for approach the majority of the board of director.
3. The control is intended to be temporary.
4. The subsidiary is in bankruptcy processing.
5. The subsidiary is a finance company.

The gains from the translation of foreign currency financial statement should be included in the net income of the accounting in which it occurs.

## **5.2 CONCLUSION.**

In conclusion, the important of effectiveness accounting system is multinational companies' operation cannot be over emphasized; this system is broad base and companies various segment of accounting system.

Multinational companies have cure to say they are huge existing organization. It is rare to see such companies running into liquidation and winding up. Depending on how one measure, if there are probably 500 companies convercertily in Nigeria that can be classified on multinational.

Multinational companies produce appropriately are fourth of Nigeria economic output. Some people hold the multinational in contempt for their assorted power play strategies. Other see theirs as highly efficient economic engineers, transfer of knowledge and stall for multitude of countries and as a significant economic and social development agent.

Multinational enterprises are highly adaptable organization, they constantly shift resource on a world wise scale. These shift cannot be accomplished in an effective and efficient manner unless highly reliable process of information permit careful analysis of investment opportunities and continues control of the deployment of available resources. It also promotes unity among nation.

## **5.3 RECOMMENDATION**

The following recommendations will be made; the management of the company must exercise great care in evaluation, the probability of branch operation when investment are acquire from the head office.

The company should try to meet the needs of their staff as they are the grateful factor of production.

The company should improve on its foreign investment analysis and foreign exchange risk management.

The company should ensure that muse experts are employed to occupy the key position and enhance efficiency.

The company should increase the level of advertisement of the company products.



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