

ACCOUNTING, TAXATION & PUBLIC FINANCE

A Practical Guide to Financial Reporting,
Nigerian Taxation and Government Finance

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Educational disclaimer: This book provides general educational information. Accounting standards, tax laws, administrative procedures and public-finance rules change. Nothing in this book is personalised legal, tax, investment or financial advice. Readers should verify current law and obtain professional advice for material transactions.

Dedication

To every learner, professional, entrepreneur and public servant who seeks to understand financial information, comply responsibly with the law and use resources with integrity.

Preface

Accounting, taxation and public finance are often taught as separate subjects, yet in practice they continually overlap. Businesses prepare accounts that become the starting point for tax computations. Taxes finance public expenditure. Government budgets, public debt and fiscal policy influence the environment in which businesses and households make financial decisions. This book brings these fields together in one practical volume.

The manuscript from which this edition was developed contained a substantial foundation in accounting and taxation, including the accounting cycle, financial statements, principles of taxation, personal and company taxes, customs duties, tax planning and an introductory public-finance section. This edition reorganises that material, removes repetition, replaces draft notes with finished explanations, reduces unnecessary foreign-system detail, expands public finance and updates the Nigerian tax sections for the post-2025 reform framework.

The book is written for university and polytechnic students, professional-accountancy learners, entrepreneurs, employees, business owners and general readers who want a working understanding of the subjects. Examples are deliberately simplified so that the principles remain visible. Where actual compliance is required, the current legislation and official guidance should take priority.

The tax reform sections draw principally on the Nigeria Tax Act, 2025; Nigeria Tax Administration Act, 2025; Nigeria Revenue Service (Establishment) Act, 2025; Joint Revenue Board (Establishment) Act, 2025; and official 2026 guidance published by the Nigeria Revenue Service and Joint Revenue Board.

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Book Description for Retailers

How to Use This Book

Each chapter begins with concepts and develops them through explanation and practical examples. Key takeaways reinforce the main points, while review questions and exercises support revision and classroom use. Readers studying for examinations should combine this text with the syllabus and standards prescribed by their institution or professional body.

Tax examples are identified as illustrations. Before using any rate, threshold or filing procedure in practice, confirm the current law and administrative guidance. This is especially important in Nigeria following the major reforms that became operational in 2026.

PART I - FUNDAMENTALS OF ACCOUNTING

Chapter 1 - Accounting: The Language of Business

Why accounting matters

Accounting is the disciplined process of identifying, measuring, recording, summarising and communicating financial information. Its purpose is not merely to keep records; it is to turn economic activity into information that can support decisions. Owners use accounting information to judge profitability and cash needs. Managers use it to plan operations and control costs. Lenders use it to assess repayment capacity, while investors use it to evaluate returns and risk.

A sound accounting system therefore performs two roles at the same time. First, it preserves an organised history of transactions. Second, it converts that history into reports that explain the financial position, performance and cash flows of an entity. This is why accounting is commonly described as the language of business: it provides a structured vocabulary for explaining what a business owns, what it owes, what it earns and how it uses resources.

Major branches of accounting

Financial accounting focuses on general-purpose financial statements prepared primarily for external users. Management accounting produces internal information for planning, budgeting, pricing and performance evaluation. Cost accounting analyses the

cost of products, services and activities. Auditing provides independent assurance on whether financial statements are prepared, in all material respects, in accordance with the applicable reporting framework.

Tax accounting applies tax legislation to transactions and taxable persons, while public-sector accounting records and reports the financial activities of government and public institutions. Although the branches have different users, they share a common foundation: reliable measurement, consistent classification and transparent reporting.

Qualitative foundations and accounting assumptions

Useful financial information should be relevant and faithfully represented. Comparability, verifiability, timeliness and understandability further improve usefulness. In practice, these qualities are supported by principles and assumptions such as going concern, accrual accounting, consistency and materiality.

The going-concern assumption means that financial statements are ordinarily prepared on the basis that an entity will continue operating for the foreseeable future. Accrual accounting recognises transactions when economic events occur rather than only when cash changes hands. Consistency improves comparability from period to period, while materiality recognises that information should be presented with sufficient detail to influence reasonable decisions without overwhelming users with immaterial detail.

The accounting equation

The accounting equation is $\text{Assets} = \text{Liabilities} + \text{Equity}$. Assets are economic resources controlled by the entity; liabilities are present obligations; and equity is the residual interest after liabilities are deducted from assets. Every properly recorded transaction preserves this equality.

If an owner invests N1,000,000 cash in a new business, assets increase by N1,000,000 and equity increases by the same amount. If the business later purchases equipment for N400,000 cash, one asset decreases while another increases; total assets remain unchanged. If it acquires inventory on credit for N250,000, assets and liabilities both increase by N250,000. These simple relationships are the foundation of double-entry accounting.

Debits and credits

Double-entry bookkeeping records every transaction with at least one debit and one credit, and total debits must equal total credits. Asset and expense accounts normally carry debit balances, while liabilities, equity and income accounts normally carry credit balances. The words debit and credit do not mean good and bad; they identify the left and right sides of an account.

A learner should focus first on the economic substance of a transaction: which resources, obligations, income or expenses changed? Only after identifying the affected accounts should debit and credit rules be applied. This approach reduces mechanical errors and improves understanding.

Chapter Review

Key Takeaways

- Accounting converts transactions into decision-useful information.
- Financial, management, cost, audit, tax and public-sector accounting serve different users.
- The accounting equation must remain in balance after every transaction.
- Accrual accounting recognises economic events when they occur.
- Materiality and consistency support useful reporting.

Review Questions

1. Define accounting and explain three categories of users of accounting information.
2. Differentiate financial accounting from management accounting.
3. Explain the accounting equation and give two examples of transactions that preserve it.
4. Why is the accrual basis generally more informative than cash-only reporting?
5. Explain the normal balances of assets, liabilities, income and expenses.

Practical Exercise

Prepare the accounting equation after each of these events: owner invests N2,000,000 cash; the business buys equipment for N600,000 cash; inventory of N350,000 is purchased on credit; goods costing N120,000 are sold for N200,000 cash.

Chapter 2 - Financial Statements and Financial Analysis

The purpose of financial statements

Financial statements provide a structured view of an entity's financial position and performance. A complete set normally includes a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity, a statement of cash flows and accompanying notes. Together, these reports answer different but related questions.

The statement of financial position asks: what resources does the entity control and how were they financed at a particular date? The income statement asks: what income was earned and what expenses were incurred during a period? The cash-flow statement explains movements in cash and cash equivalents. The statement of changes in equity reconciles opening and closing equity balances and shows contributions, distributions and accumulated results.

Statement of profit or loss

Profit is not the same as cash. Revenue is recognised according to the applicable recognition principles, and expenses are recognised when resources are consumed or obligations arise. A business may therefore report profit while experiencing cash pressure, or generate cash during a period in which accounting profit is weak.

A basic income statement moves from revenue to gross profit, operating profit and profit before and after tax. The exact presentation depends on the nature of the entity and the reporting framework. Users should examine not only the final profit figure but also the quality and sustainability of the revenues and expenses that produced it.