



STATEMENT OF ACCOUNTING POLICIES
(IPSAS ACCRUAL)

2020

List of Abbreviations/Acronyms

Abbreviation/Term	Description
CRF	Consolidated Revenue Fund
COA	Chart of Accounts
FAAC	Federation Accounts Allocation Committee
FGN	Federal Government of Nigeria
FRC	Financial Reporting Council
GAAP	Generally Accepted Accounting Principles
GPFS	General Purpose Financial Statement
IPSAS	International Public Sector Accounting Standards
MDA	Ministries, Departments and Agencies
GBE	Government Business Enterprises
FRCoN	Financial Reporting Council of Nigeria

Introduction

In line with the adoption of the International Public Sector Accounting Standards (IPSAS) in Nigeria, a standardised Chart of Account (COA) alongside a set of General Purpose Financial Statements (GPFS) have been designed and introduced for adoption by all tiers of Government in Nigeria.

The standardised COA and the GPFS have become necessary to ensure uniformity in public sector accounting reporting in Nigeria as a fundamental prerequisite towards adopting IPSAS.

In order to ensure an effective and efficient utilisation of the CoA and GPFS, Accounting Policies have been developed as a set of guidelines to direct the Processes and Procedures relating to financial reporting in Nigeria. These guidelines shall be a universally agreed framework for financial reporting in Nigeria.

This Accounting Policy has been developed to address the following fundamental accounting issues:

1. Definition of Accounting Terminologies,
2. Recognition of Accounting Items,
3. Measurement of Accounting Items, and
4. Accounting treatment of items.

The Accounting Policy shall be subject to periodic review and update as shall be deemed necessary by the relevant bodies.

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1	<p>Basis of Preparation</p> <ul style="list-style-type: none"> • The GPFS shall be prepared under the historical cost convention and in accordance with International Public Sector Accounting Standards (IPSAS) and other applicable standards as may be defined by the Fiscal Responsibility Commission (FRC).
2	<p>Fundamental Accounting Concepts</p> <ul style="list-style-type: none"> • The following fundamental accounting concepts need to be taken as the basis of preparation of all accounts and should be followed by all reporting entities: <ul style="list-style-type: none"> • Accrual basis concept; • Going concern concept; • Consistency concept • Understability; • Materiality, • Relevance; • Prudence • Completeness etc..
3	<p>Accounting Period</p> <ul style="list-style-type: none"> • The accounting year (fiscal year) shall be from 1st January to 31st December. Each accounting year is divided into 12 calendar months (periods) and shall be set up as such in the accounting system.
4	<p>Reporting Currency</p> <ul style="list-style-type: none"> • The General Purpose Financial Statements shall be prepared in the Nigerian Naira.
5	<p>Consolidation Policy</p> <ul style="list-style-type: none"> • The Consolidation of the General Purpose Financial Statements will be based on Accrual Basis of Accounting • All Ministries, Department and Agencies of the Government shall be consolidated except Government Business Enterprises (GBEs). • Consolidation of the General Purpose Financial Statements shall be in agreement with the provisions of all the relevant legal requirements.
6	<p>Notes to the General Purpose Financial Statements</p> <ul style="list-style-type: none"> • Notes to the GPFS shall be presented in a systematic manner. The Items in the Statements should cross reference to any related information in the Notes. • It shall follow the format provided in the Standardised General Purpose Financial Statement.
7	<p>Comparative Information</p> <ul style="list-style-type: none"> • The General Purpose Financial Statements shall disclose all numerical information relating to previous period.
8	<p>Budget Figures</p> <ul style="list-style-type: none"> • These are figures from the approved budget in accordance with the

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	Appropriation Act.
9	<p>Revenue</p> <ul style="list-style-type: none"> All revenue accruing to the Government shall be recognised when it is due and not when received. This shall be classified as Tax and Non-Tax Revenue.
10	<p>Government Aid and Grants:</p> <p>Aid and Grants to the Government are recognised as income on entitlement, while aid and grants to other governments/agencies are recognised as expenditure on commitment.</p>
11	<p>Subsidies, Donations and Endowments</p> <ul style="list-style-type: none"> Subsidies, Donations and Endowments to the Government are recognised as income when money is received, or entitlement to receive money is established; except where fulfilment of any restrictions attached to these monies is not probable.
12	<p>Expenses</p> <ul style="list-style-type: none"> All expenses shall be reported on an accrual basis, i.e. all expenses are to be recognised in the period they are incurred or when the related services are enjoyed, irrespective of when the payment is made.
13	<p>Employee Entitlements:</p> <ul style="list-style-type: none"> Pension & Gratuity: Provision has been made, where applicable, using an actuarial valuation for retirement gratuities. The actuarial valuation determines the extent of anticipated entitlements payable under employment contracts and brings to account a liability using the present value measurement basis, which discounts expected future cash outflows. To the extent that it is anticipated that the liability will arise during the following year the entitlements are recorded as Current Liabilities. The remainder of the anticipated entitlements are recorded as Non-Current Liabilities.
14	<p>Interest on Loans:</p> <ul style="list-style-type: none"> Interest in loans shall be treated as expenditure or as a charge in the financial performance report (Statement of Financial Performance).
15	<p>Foreign currency transactions:</p> <ul style="list-style-type: none"> Foreign currency transactions throughout the year shall be converted into Nigerian Naira at the ruling (Central Bank of Nigeria –CBN) rate of exchange at the dates of the transactions. Foreign currency balances, as at the year end, shall be valued at the exchange rates prevailing on that date. Foreign Exchange gains/losses are recognised in the Statement of Financial Performance.
16	<p>Minority Interest</p> <ul style="list-style-type: none"> This represents share of surplus/ deficit due to outsiders/3rd parties during the year under review

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17	<p>Statement of Cash flow</p> <ul style="list-style-type: none"> • This statement shall be prepared using the direct method in accordance with the format provided in the GPFS. <p>The Cashflow statement shall consists of three (3) sections:</p> <ol style="list-style-type: none"> i. Operating activities include cash received from all income sources of the Government and record the cash payments made for the supply of goods and services. ii. Investing activities are those activities relating to the acquisition and disposal of non-current assets. iii. Financing activities comprise the change in equity and debt capital structure of the Government.
18	<p>Cash & Cash Equivalent</p> <ul style="list-style-type: none"> • Cash and Cash Equivalent means cash balances on hand, held in bank accounts, demand deposits and other highly liquid investments in which the Government invests as part of its day-to-day cash management.
19	<p>Inventories:</p> <ul style="list-style-type: none"> • Inventories are valued at the lower of cost and net realisable value and they are reported under Current Assets in the Statement of Financial Position.
20	<p>Accounts Receivable:</p> <ul style="list-style-type: none"> • Accounts Receivables are shown at estimated realisable value after providing for bad and doubtful debts.
21	<p>Prepayments</p> <ul style="list-style-type: none"> • Prepaid expenses are amounts paid in advance of receipt of goods or services. • Prepaid expenses can represent payments made early in the year for benefits to be received over the latter part of the year, or payments made in one year for benefits to be received in subsequent years. Prepayments for which the benefits are to be derived in the following 12 months should be classified as Current Assets. Where the benefits are expected to accrue beyond the next 12 months, it should be accounted for as a Long-Term Prepayment and classified as Non-Current Assets. • Prepayments that are identifiable with specific future revenue or event, e.g. adverts, should be expensed in the period in which the related event takes place; those that relate to specific time periods, e.g. insurance, rent, leasehold premises, should be recognised as an expense in such periods. • Prepayments not exceeding e.g. ₦10, 000 shall be expensed immediately, except there is a possibility of obtaining a refund or credit within the same financial year. (However, threshold to be determined by the respective tier of

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	government)
22	<p>Loans Granted:</p> <ul style="list-style-type: none"> • Loans Granted to other Government Agencies are shown at estimated realisable value after providing for bad and doubtful debts.
23	<p>Investments:</p> <ul style="list-style-type: none"> • These are valued at cost except for Government Stock, Treasury Bills and Certificates of Deposit, which are valued at face value, which is not materially different from cost. • Revenue and expenses in relation to all investments are recognised in the Statement of Financial Performance.
24	<p>Property, Plant & Equipment (PPE)</p> <ul style="list-style-type: none"> • These are assets that have been acquired or constructed and held for use from which benefits are derivable beyond a financial year. • The following shall constitute expenditure on PPE: <ul style="list-style-type: none"> – Amounts incurred on the purchase of such assets. Consumables are to be wholly expensed irrespective of their amounts. – Construction Cost- including materials, labour and overheads. – Improvements to existing PPE, which significantly enhance their useful life. <p>i. Cost</p> <ul style="list-style-type: none"> • The cost of an item of PPE shall comprise: its purchase price, including import and non-recurring costs and any directly attributable costs of bringing the asset to its location and working condition for its intended use. Any trade discounts and rebates are deducted in arriving at the purchase price. • PPE shall be stated at cost or at their professional valuation less accumulated depreciation. • The amount recorded for a PPE shall include all costs directly related to its acquisition including expenditures incurred to place the asset in usable condition for the Service. Accordingly, the cost of the assets shall include acquisition or construction costs, custom duties, transportation charges, professional fees and installation costs. Cash discounts shall be netted against the cost of the assets. <p>ii. Capitalisation</p> <ul style="list-style-type: none"> • The capitalisation threshold shall be ₦50, 000 (Fifty thousand naira). • Only amounts spent in connection with the above and whose values exceed (Fifty thousand naira) ₦50, 000 shall be capitalised. • All assets equal to or above this amount shall be recorded in the Fixed Assets Register. However in certain cases, it may be appropriate to aggregate individually insignificant value items such as chairs and tables, printers and UPS, etc. and apply the capitalisation threshold to the

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	<p>aggregate value.</p> <ul style="list-style-type: none"> • Fixed assets whose costs are below the capitalization threshold shall be charged appropriately to the following accounts: office supplies – furniture, office supplies – IT equipment, office supplies – household equipments, etc. • Where an asset's category already exists for a newly acquired asset below the capitalisation threshold, such an asset shall be capitalised irrespective of its cost and recorded in the fixed assets register under the appropriate category <p>iii. Depreciation</p> <ul style="list-style-type: none"> • The cost of PPE shall be written off, from the time they are brought into use, on a straight line basis over their expected useful lives as follows: <table border="0" style="margin-left: 40px;"> <tr> <td style="padding-left: 20px;">✓ Leasehold Land and Improvements</td> <td style="text-align: right;">Over the term of the lease</td> </tr> <tr> <td>✓ Leasehold buildings</td> <td style="text-align: right;">Over the term of the lease</td> </tr> <tr> <td>✓ Buildings</td> <td style="text-align: right;">2-3%</td> </tr> <tr> <td>✓ Plant and Machinery</td> <td style="text-align: right;">10-20%</td> </tr> <tr> <td>✓ Motor Vehicles:</td> <td style="text-align: right;">20-33.3%</td> </tr> <tr> <td>✓ Office Equipment:</td> <td style="text-align: right;">25-30%</td> </tr> <tr> <td>✓ IT Equipment:</td> <td style="text-align: right;">33.3-50%</td> </tr> <tr> <td>✓ Furniture and Fittings:</td> <td style="text-align: right;">20-25%</td> </tr> </table> • The full depreciation charge shall be applied to PPE in the months of acquisition and disposal, regardless of the day of the month the transactions was carried out. • Fully depreciated assets that are still in use are carried in the books at a net book value of ₦10.00 <p>iv. Revaluation</p> <p>PPE shall be re-valued periodically in accordance with International Best Practices.</p> <p>Surplus arising from the revaluation shall be transferred to the revaluation reserve in the financial position under reserves and to the statement of changes in net assets/equity. In case of revaluation deficit, it shall be set against the respective asset value and the corresponding entry to either the revaluation reserve – if surplus exists on the same class of asset, or to the statement of financial performance as an expense.</p> <p>v. Disposal</p> <p>Gains or losses on the disposal of fixed assets are to be included in the income statement as either an income or expense respectively.</p>	✓ Leasehold Land and Improvements	Over the term of the lease	✓ Leasehold buildings	Over the term of the lease	✓ Buildings	2-3%	✓ Plant and Machinery	10-20%	✓ Motor Vehicles:	20-33.3%	✓ Office Equipment:	25-30%	✓ IT Equipment:	33.3-50%	✓ Furniture and Fittings:	20-25%
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	vi. Impairment Government shall take an impairment review of its PPE where it suspects that impairment has occurred.
25	Investment PPE <ul style="list-style-type: none"> • These are cash-generating PPE owned by the Government/ its entities. The cost, capitalisation, depreciation and impairment of Investment PPE are same with PPE, but shall be reported separately in the GPFS.
26	Intangible Assets <ul style="list-style-type: none"> • These shall consist of assets that are not physically tangible which have been acquired and held for use from which benefits are derivable beyond a financial year. • The cost of an item of intangible asset shall comprise: its purchase price, including non-recurring costs and any directly attributable costs of bringing the asset to its state of intended use. Any trade discounts and rebates shall be deducted in arriving at the purchase price. • Classes of Intangible Assets include the following: <ul style="list-style-type: none"> ➢ Goodwill ➢ Copyrights ➢ Trademarks ➢ Heritage etc. • Intangible assets are tested for impairment and amortised on an annual basis.
27	Deposits <ul style="list-style-type: none"> • Deposits are amounts received in advance in respect of goods or services provided. • Deposits can represent payments received early in the year for goods/services to be offered over the latter part of the year, or payments received in one year for services to be offered in subsequent years. Deposits for which the services are to be offered in the following 12 months shall be classified as Current Liabilities. Where the services are expected to span beyond the next 12 months, it shall be accounted for as a Non-Current Deposits and classified as Non-Current Liabilities.
28	Loans& Debts <ul style="list-style-type: none"> • Loans are funds received to be paid back at an agreed period of time. They are classified under liability in the General Purpose Financial Statement and are categorised as either short or long term. • Short-term loans and debts are those repayable within one calendar year, while long-terms loans and debts shall fall due beyond one calendar year.
29	Unremitted Deductions <ul style="list-style-type: none"> • Unremitted Deductions are monies owed to third parties such as tax authorities, schemes and associations and other government agencies. These

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	<p>include: tax deductions and other deductions at source.</p> <ul style="list-style-type: none"> • These amounts shall be stated in the GPFS at their repayment value, which shall be treated as Current Liabilities in the Statement of Financial Position.
30	<p>Accrued Expenses</p> <ul style="list-style-type: none"> • These are monies payable to third parties in respect of goods and services received. • Accrued Expenses for which payment is due in the next 12 months shall be classified as Current Liabilities. Where the payments are due beyond the next 12 months, it shall be accounted for as Non-Current Liabilities.
31	<p>Current Portion of Borrowings</p> <ul style="list-style-type: none"> • This is the portion of the long-term loan/ borrow that is due for repayment within the next 12 months. This portion of the borrowings shall be classified under Current Liabilities in the Statement of Financial Position.
32	<p>Public Funds</p> <ul style="list-style-type: none"> • These are balances of Government funds at the end of the financial year. • They are classified under the Non-Current Liabilities in the Statement of Financial Position and include: Trust Funds, Revolving Funds and other Funds created by Government.
33	<p>Reserves</p> <ul style="list-style-type: none"> • Reserves are classified under equity in the Statement of Financial Position and include: Statement of Financial Performance Surpluses/ (Deficit) and the Revaluation Reserve.
34	<p>Contingent Liability</p> <ul style="list-style-type: none"> • A contingent liability is a possible obligation arising from past events whose existence will be confirmed only by uncertain future event(s) or present obligation arising from past events that are not recognised because either an outflow of economic benefit is not probable or the amount of the obligation cannot be reliably measured. • Contingent liabilities shall only be disclosed in the Notes to the GPFS.
35	<p>Leases</p> <ul style="list-style-type: none"> • Finance leases, which effectively transfer to the Government substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the present value of the minimum lease payment. The leased assets and corresponding liabilities are disclosed while the leased assets are depreciated over the period the Government is expected to benefit from their use. • Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased items, are included in the determination of the operating profit in equal instalments

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	over the lease term.
36	<p>Financial Instruments</p> <ul style="list-style-type: none"> • These form part of the Government's everyday operations. These financial instruments include Bank Accounts, Short Term Deposits, Trade and Accounts Receivable, Trade and Accounts Payable and Term Borrowings, all of which are recognised in the Statement of Financial Position. • Revenue and expenses in relation to all financial instruments are recognised in the Statement of Financial Performance.

Reshwa

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