

# Marketing of Accountancy Services in Nigeria: The Institutional Constraints

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## ABSTRACT

This paper examined the institutional constraints in the marketing accountancy services in Nigeria. It was established that accountancy services are many, and they include services provided by accountants other than statutory audit. In view of the fact that providers of these services are professionally qualified accountants, there must be some competition among them, leading to intense marketing activities. However, this paper found that professional bodies, in particular, Institute of Chartered Accountants of Nigeria (ICAN) have developed stringent guidelines, rules, and professional ethical standards that seriously curtail marketing activities of product (service) development, and service distribution, pricing, and promotional activities among accountants in Nigeria.

**Keywords:** Accountancy Services, Marketing, Marketing Mix, Professional Ethical Standards.

**Submitted :** July 17, 2022

**Published :** August 17, 2022

**ISSN:** 2507-1076

**DOI:** 10.24018/ejbmr.2022.7.4.1580

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## I. INTRODUCTION

Accountants in professional practice are also called auditors. Sections 357 to 369 of the Companies and Allied Matters Act 1990 LFN discusses copiously matters that pertain to the auditor of public limited liability companies in relation to published accounts. The auditor, as an accountant, is statutorily required to check the accounts of companies and report his finding to the shareholders. Of course, auditors' report forms part of the financial statements to be presented and read by the directors at the annual general meeting (AGM). Notwithstanding the statutory duty of reporting on accounts, the auditor often performs other functions and renders other services. Millichamp (1993) remarks that "the small audit firms especially may spend more time on other services than on auditing".

Accountants in practice render accountancy services other than auditing. The list of such services is diverse. Chief among them are: writing up books, tax negotiations, government form filling, and financial advice just to mention a few. The general marketing principle is that products and services only have usefulness if they are able to meet certain human needs. Indeed, Stanton (1983) defines marketing as the creation and delivery of a standard of living. In effect, marketing involves: finding out what consumers want; planning and then developing a product or service that will satisfy those wants; and then determining the best way to price, promote and distribute that product or service.

There are a lot of institutional and sometimes legal constraints on professional accountants in the course of making their services. Using the institute of Chartered Accountants of Nigeria (ICAN) as a model, Members' Handbook, which serves as both a moral and legal check on members' activities, clearly stipulates what must be done or avoided in the course of the marketing of accountancy services. Failure on the part of members to observe the provisions of the handbook can attract severe penalties, in

extreme cases suspension of membership or withdrawal of licenses of erring members.

Therefore, the focus of this paper is to bring to the fore the institutional constraints on the marketing of accountancy services.

## II. ACCOUNTANCY SERVICE

Accountancy according to Hornby (2006) is the work profession of an accountant. An accountant according to this same authority is a person whose job is to keep or check financial accounts. Adeniyi (2004) observes that statutory auditors perform other services such as the writing of books, balancing books preparing financial accounts, tax negotiations, government form filling, financial advice management and system advice, liquidation and receivership work, investigations, risk management, etc.

Wale Awe (2002) captured the range of professional services offered by accountants graphically as in Table I.

Again, Section 6.0 of ICAN Members' Handbook identifies other accountancy services to include:

- Taxation service
- Preparation of accounts
- Corporate advisory services other than the preparation of documents for public use
- Management consultancy services; and
- Reporting to management or secondment to management.

## III. MARKETING OF ACCOUNTANCY SERVICES

Perrault and McCathy (2005) observed that marketing plays an essential role in providing customers with need satisfying goods and service and more generally, in creating customer satisfaction. Stanton (1983) defined marketing as

TABLE I: PROFESSIONAL SERVICES OFFERED BY ACCOUNTANTS

Category	Nature of professional work
Accountancy	Writing up books of accounts from source documents, preparing financial statement from books of accounts.
Auditing	Examining books and records in order to express opinion on financial statements.
Financial Consulting	Advising on investment source and optimum options. Helping to raise finance Monitoring clients' liquidity and profitability. Helping to establish optimum levels of easily convertible assets e.g., stocks.
Management Consulting	Advising on accounting and internal control system, budgeting, costing, technologies and internal audits.
Taxation	Advising on optimum tax management, Preparing tax computations from accounts Handling tax assessment and appeals and Value Added Tax Liaison with Revenue Boards and the Custom and Excise Department.
Share Registration	Keeping statutory registers for shareholders and debentures
Company Secretaries	Acting as secretaries to management and the board, maintaining minutes of statutory meetings.
Liquidations,	Handling the winding up of companies to settle creditors and shareholders
Receivership and Trusts	Receiving for debenture holders of a company in liquidation, Acting as trustees.
Investigation	Investigating alleged frauds, prospective credits and loans at the instigation of the ministry of industries. Handling valuation of shares and businesses, preparing prospectus for new issues. Reporting on profit forecasts.
Other Engagements	Compiling claims for grants, rebates or royalties preparing reports for submission to government agencies.

any interpersonal or inter-organisational relationship involving an exchange (a transaction); that is, marketing is a transaction intended to satisfy human needs and wants. Similarly, Kurtz and Boone, (1989) defined marketing as a process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that will satisfy individual and organizational objectives. The term marketing as a management function is a marketing concept in action; consequently, all organization activities must be devoted to finding out what customers want and then satisfying those wants, while still making a profit over the long run.

What accountants' market are accountancy services as shown above Stanton (1983) argues that in theory, product marketing and service marketing are essentially the same. In each case, a marketing program is built around the parts of the marketing mix- the product (accountancy service), the price structure (accountancy fee), the distribution system (office/service location), and the promotional program (service advertisement and promotion). However, the strategies and practices used in conventional product marketing often are inappropriate for service marketing.

Accountancy services like other services are intangible (as it is impossible for customers to taste, feel, see, hear, or smell before they buy them) they are inseparable (as they cannot be separated from the person of the seller), heterogeneous (difficult to standardize output and they cannot be stored because they are perishable. Swinyard (1971) advised that marketers of services should understand the components of population and income as they affect the market for their services. In addition, they must carefully analyze why their customers want their service and determine whether the several segments have the same or different buying motives.

In the marketing of accountancy services, the traditional four P's of marketing must be recognized in order to meet the objective of the marketing concept which provides a basis for the existence of the service in the first place.

#### IV. MARKETING MIX AND ACCOUNTANCY SERVICES

##### A. Developing and Planning the Service (Product)

Stanton (1983) asserted that product planning and development has its counterpart in the marketing program of

a service industry. Management can use a systematic procedure to determine:

- (1) What service will be offered (tax negotiation, investigation, consultancy, etc.)?
- (2) What will be the length and breadth of the service mix offered? and
- (3) What, if anything, needs to be done in the way of service attributes such as branding or providing guarantees?

It is noteworthy that "product" planning is easier for services than for products. Packaging, colour, labelling and style are virtually non-existent in-service marketing.

The accountant may need to see each service as unique, even if, he has to render several services to the same client. Thus, writing up of accounts and taxation services being offered to a client must be planned for separately as they are different as far as marketing is concerned.

##### B. Pricing of Services (Price)

Accountancy services are based on fees, calculated based on man-hour and quality of staff involved. Nonetheless, Stanton (1983) affirms that in the marketing of services, nowhere is there a greater need for management creativity and skill than in the area of pricing. This is because services are extremely perishable, cannot be stored and the demand often fluctuates considerably all of which carry significant pricing implications. Kotler (1980) suggested that in some service industries, the private seller (e.g., an accountant) will establish a price but it must be approved by a regulatory agency. Kurtz *et al.* (1989) admit that accountancy services fall under specialty services and conclude that many marketing strategies used with tangible goods are of little or no use because of the intangible nature of services.

##### C. Channel of Distribution for Services (Place)

Most services would be sold directly from producer to consumer. The characteristics of intangibility mean that physical distribution problems are basically eliminated from many service producers. For example, for other supportive supplies (reports, financial statements, etc.), accountants have no physical inventory to store or handle. However, the fact that accountancy services can be rendered at either the client's premises or the accountant's office, introduces flexibility to the issue of place element of a marketing mix.

#### D. Promoting the Service (Promotion)

It is common knowledge that in the marketing of services, personal selling, advertising, and other forms of production are all used extensively. Shimp and Dyer (1978) while writing on how the legal profession views legal service advertising, opined that, in the USA, because of antitrust law, professionals can advertise their services. Though professional associations still try to limit and control advertising, several courts and regulatory agency decisions made it clear that prohibiting a professional firm from advertising is a restraint of trade. In Nigeria, accountancy services are expected to be promoted based on strict institutional guidelines.

#### V. CONSTRAINTS TO MARKETING OF ACCOUNTANCY SERVICES

The main regulatory body for control of accountancy services in Nigeria are the professional accounting bodies such as the Institutes of Chartered Accountants of Nigeria (ICAN), Association of National Accountants of Nigeria (ANAN), Chartered Institute of Taxation (CIT) to mention just a few of such bodies recognized by Nigerian law. For the purpose of this paper, the Members' Handbook of ICAN will be used as a guide for determining how institutional factors and practices constrain the marketing of accountancy services in Nigeria. This will be done by considering ethical standards guiding the conduct of members contained in the book.

The product (service) planning and development require audit firms to determine:

- (1) what service will be offered;
- (2) what will be the length and breadth of the service mix offered;
- (3) Product branding.

However, in order to avoid what is termed "the self-interest threat" i.e., inability to exercise sufficient objectivity and independence in the auditors reporting role in the performance of other accountancy services, Section 4.60 of ICAN Members Handbook forbids an audit practice from preparing of company's accounts and accounting records save in relation to the assistance of a routine clerical nature or in an emergency. This section lists such assistance to "work on the finalization of statutory accounts, including consolidations and tax provisions". It even provides that, "the scale and nature of such work should be regularly reviewed".

The provision on the professional conduct of members as cited above limits the depth and breadth of other services that accountants can offer. Thus, apart from the general advice to the members not to take on more than their ability in terms of personnel and facilities could cope with, the institute, expects members to be wary of taking on many assignments at a time as this could jeopardize the quality of output.

On the issue of pricing accountancy services, the Members Handbook gives some general guidelines. However, the price (fee) for service in a competitive market should be based on the forces of demand and supply. Though Slanton (1983), warned that "perfect competition does not apply to any extent in the pricing of services because of the heterogeneity and the difficulty of standardizing quality". ICAN has the following

guidelines on price (fee) fixing: A member is entitled to charge for his or her services:

- (i) such specific fee as he or she has agreed with the client; or
- (ii) a fee calculated in accordance with any agreement with the client; or
- (iii) in the absence of an agreement, a fee is calculated by reference to the custom of the profession.

Section 7(1.1) of ICAN Handbook says in the last event i.e., (iii) above, (ii) where the basis of the fee has not been agreed with a client, a member should charge a fee that is fair and reasonable having regard to the seniority and professional expertise of the persons necessarily engaged on the work; the time expended by each; the degree of risk and responsibility which the work entails; the priority and importance of the work to the client together with any expenses properly incurred" ICAN stipulation that severely constrains free pricing are sections (4.1), (4.2) and 7(4.0).

Section (4.0) gives general guidance on specific areas of threat to members' independence namely, undue dependence on an audit client. This section (4.1) states that "if the recurring fees from a client company or group of companies constitute a substantial proportion of the fee income of an audit firm, a self-interest threat is likely to arise, so as to imperil objectivity". Consequently, section (4.2) stipulates that "a member should not accept an audit appointment or similar financial reporting assignment from an entity which regularly provides him, his firm or an office within the firm with an unduly large proportion of his or its gross practice income. An unduly large proportion would normally be 25 percent. However, section 7(4.0) states that "fees should not be charged on percentage, contingent, or similar basis in respect of audit work, reporting assignment and similar non-audit roles incorporating professional opinions including expert witness assignments.

In summary, ICAN substantially limits the latitude available to members (on the ground of threat avoidance) and thus constrains the marketing effort of members in the area of price (fee) fixing.

The third P of marketing places (Channels of Distribution). The Institute has no special provision on where accountancy services should be conducted. It only demands the right caliber of staff (preferably Chartered Accountants with relevant experience) be employed in the delivery of any accountancy services. It however counsels that "a member engaged in public practice with a non-member partner or fellow director of a company is responsible for ensuring that the non-member conforms to the ethical standards governing the provision by members of public accountancy services". Also, a member should so conduct his or her firm so that a client or potential client cannot mistake it for any other firm or business and cannot mistake any other associated firm or business for his.

It is in the area of promotion (the fourth P of marketing) that ICAN substantially constrains members' marketing ability in the provision of accountancy services.

The following are the specific ICAN prescriptions that severely limit promotional activities in accountancy services in Nigeria. Section 8(1.0) states that members may seek publicity for his/her services, achievements, and products in any way consistent with the dignity of the profession in that

they should not project an image inconsistent with that of a professional person bound to high ethical and technical standards.

8(1.1) says that advertisements must comply with the law and should be legal, decent, clear, honest, and truthful. Members should not make a comparison (in promotional materials) between the fees charged by them and the fee of other accounting practices, whether a member or not.

8(2.1) states that promotional materials may contain any factual statement of a member is able to justify but should not make disparaging references to or disparaging comparisons with the services of others.

8(3.0) provides that a member should, under no circumstances, promote or seek to promote his/her services, or the services of another member, in such a way or to such an extent as to amount to harassment of a prospective client.

8(4.0) that in relation to audit or other financial reporting work, a member should not make an unsolicited personal visit or telephone call to a person who is not a client with a view to obtaining professional work from the non-client.

Due largely to the desire of professional accounting bodies to prevent abuse of privileges in the course of conducting accounting services by members; it inadvertently inhibits the right of practitioners in the area of management of their marketing mix.

## VI. CONCLUSION

Accountancy services are varied and diversified and because practitioners in the field of accounting compete for these services, directly or indirectly marketing must take place. Since marketing is seen as involving finding out what consumers (of goods and services), wants; planning and developing a product or service that will satisfy those wants; and then determining the best way to price, promote, and distribute that product or service. Therefore, accountancy services being professional services must be carried out under the clear view of professional bodies that have responsibility for setting standards of practice and behavior among members.

The paper established that marketing activities take place among accountants in the provision of accountancy services, but under some rules prescribed by relevant professional bodies, in particular, the Institute of Chartered Accountants of Nigeria.

Service (Product) planning involves determining the range of services that any member can render for example only routine clerical work in an emergency. On the pricing of accountancy services, no fee (price) charge should exceed 25 percent of the gross fee of practice from any particular client while a long list of guidelines on advertising and general promotional activities exist for members in the course of trying to get clients in need of their services.

## VII. RECOMMENDATIONS

In light of findings from a discussion on the subject of the marketing of professional accountancy services: institutional constraints, the following recommendations are imperative.

- ❖ Professional accountants must improve on the depth of their professional services to clients within the contains of ICAN rules.
- ❖ Clients must be assisted to solve their personal and business problems e.g., taxation, record keeping, financial consulting, investigations, etc. as a way of broadening their product range.
- ❖ The role of place in accountancy services calls for flexibility on the part of professional accountants in the choice of type of offices they use and where services are rendered.
- ❖ Pricing of professional services should be client friendly. There are clients with little funds; this class of people must be accommodated and given services within the limit of what they can afford.
- ❖ The rules governing the promotion of professional services are many. It is incumbent on professional accountants to maximally utilize the promotional outlets in their bid to render professional services all at moderate costs.

## CONFLICT OF INTEREST

There is no conflict of interest.

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