



## FINANCIAL MANAGEMENT AND REPORTING SYSTEM OF TRADE UNIONS OF TERTIARY INSTITUTIONS IN NASARAWA STATE

**Sylvester Umbugadu Aku, Affiru Anyuabuga Stephen and Mrs. Chritiana L.I. Tanze**

Department of Accountancy, School of Administration and Business Studies, Nasarawa State  
Polytechnic, Lafia.

**ABSTRACT:** *Financial management and reporting form the basis by which the performance of any organization is assessed with the trade unions inclusive. This paper takes a look at the financial management and reporting of trade unions of tertiary institutions in Nasarawa State. The paper focused on how financial records are prepared, presented and how finances are managed by the leaders of such unions. Primary data collected through questionnaire were used. It was discovered that the trade unions financial reports contribute to the growth and development of union members' demands. The paper suggests that Trade unions have to be prudent and exhibit cost effectiveness in dealing with their members' funds.*

**KEYWORDS:** Reporting System, Trade Unions, Financial Management, Tertiary Institutions, Nigeria

### INTRODUCTION

According to Oxford Advanced Learners Dictionary, Finance generally refers to money available to a person, organization or a country. It is otherwise the management of money.

According to Olowe, (2009), a trade union may be:

- (a) A company union that represents interests of only one company and may not have any connection with other unions. Also called house union, a company union is often a bogus one and generally illegal.
- (b) A general union that represents workers from several companies in the same industry. Also called industrial union;
- (c) A craft union that represents skilled workers in a particular field such as the ASUP

The principal objectives of a labour union include:

- (1) Negotiate wages and working condition/terms,
- (2) Regulate relations between workers (its members) and the employer,
- (3) Take collective action to enforce the terms of collective bargaining,
- (4) Raise new demands on behalf of its members, and
- (5) Help settle their grievances



The main function of Trade Union is to provide value for money services. Value for money replaces the term cost-effectiveness by bringing in element of quality in service. The value for money services has three components – efficiency, effectiveness and economy.

The Trade Unions at various levels in both public and private sectors have to generate financial resources (money) and provide certain goods and services, which are genuinely collective services and utilities for the well-being of their members.

Financial resources are limited and therefore must be voted or allocated for operations, programs or projects, that have bearing on the lives of members. The financial resources have to be used for that purpose wholly and timely. This is the essence of management through statutes and regulations. The management of the financial resources is also entrusted to elected officials on behalf of the members; hence there is also need for probity and accountability. The strategies and management techniques put in place must allow for enforceability, uniformity of practices and compliance.

### **Statement of the Problem**

Trade unions are formed for the welfare of its members. Resources are contributed towards achieving this goal. Like any other organization, management (officials) of the union is expected to render account of their stewardship periodically according to the laws. In Nigeria most, union officials are reluctant or may not render account until they are requested to do so. However, when unions present financial reports, they contain very scarce information that will lead to meaningful decision that will enhance effective management of the scarce resources (finances) for effective administration.

It is for this reason that this research work is undertaken to look at how effective trade unions manage their finances and their reporting system with the aim of making recommendations that will ensure better financial reporting system and management of the union's resources for better accountability.

### **Aims and Objectives of the Study**

This study was undertaken to assess the financial management and reporting system. It specifically looked at how effective is the financial management and reporting system of Trade unions of tertiary institutions in Nasarawa State.

- a. It also seeks to find out if trade unions comply with the laid down rules of financial reporting.
- b. It was also to make recommendations on how best to manage finances of trade unions and also suggest the best reporting system that will help the unions.

### **Scope of the Study**

The research looked at how union finances are managed and how they present their financial reports. It is focused on how money is raised to cover their spending and obligations, their financial decisions and how they comply with the expectations of rule of standard making bodies.



---

## Research Questions

1. How does the union manage their finances?
2. Are union financial resources being properly managed?
3. Does union present proper financial records?
4. Is the financial reporting system of the union effective?

## LITERATURE REVIEW

### Field of Finance

Finance as an academic discipline, is made up of five specialized fields (Hampton 1992). These include:

- i. Public finance
- ii. Securities and investment analysis
- iii. International finance
- iv. Institutional finance
- v. Financial management

This paper focuses only on the financial management and reporting system in the Trade Union.

### Routine Finance Functions;

These are functions that do not require specialized skills of finance but involve a lot of paper work and time to execute (Kurfi, 2003)

### Trade union leaders are to perform the following finance functions:

- i. Supervision of cash receipt and payment and safeguarding of cash balances
- ii. Custody and safeguarding of securities, insurance policies and other valuable papers
- iii. Taking care of mechanical details of new outside financing
- iv. Record keeping and reporting.

### What is Financial Management?

Financial management has been defined as that managerial activity which is concerned with planning and controlling of a firm's financial resources (Pandey, 1999). It is a field of management that concerns with the acquisition, financing and management of an organization's assets with the overall goal(s) in mind. Financial management deals with



general institution and procedures involved in the acquisition and disbursement of funds either in an organization or in government.

Thus, according to Umoh (1997), the essence of financial management is the effective and efficient administration of an organization's financial resources to achieve the stated goals of the organization, whether such goals are couched in maximum profitability, shareholders wealth maximization or market share dominance or in value for money services.

### **Methods of Financial Management**

In the words of Olagunju (2012), there are basically two method of financial management by trade unions. These are:

- a. Centralized management; In this method, the branches are expected to pay their total revenue to the national secretariat of their unions from which they receive allowances or rebate for their own administrative up keep.
- b. Decentralized management: Here the branches after collection of revenue retain the constitutional proportion of their revenue for the running of their affairs and remit the remainder to the national secretariat.

### **Meaning of Financial Reporting**

According to Nwagboso (2010), "Financial Reporting is the process of preparing and distributing financial information to users of such information in various forms. The most common format of financial reporting is the financial statement. Financial statements are prepared in accordance with rigorously applied standards defined by professional bodies developed according to the legal and professional framework of a specific locale".

One of the objectives of financial reporting indeed is, whether it is financial reporting, integrated reporting, or reporting on long term fiscal sustainability – is to enhance accountability and transparency.

Trade union financial reporting is the process whereby trade unions report their financial position and activities to their entire members. These reports are the standard that members and other stakeholders use to judge their unions efficiency, effectiveness, and over-all financial condition.

Financial reporting in trade union can be seen as a summary of the Union's performance, or capacity, in raising, handling, and using members' money. Another way of expressing the role of financial reporting is to say it goes hand in hand with accountability. Accountability is often considered one of the cornerstones of good leadership. Officials are given authority and responsibility and it is the task of the officials to clearly convey actions taken and whether these actions fall within the prescriptions of law and members wishes. Assessing performance or accounting with respect to raising, handling, and using members' money is a complex issue. The criteria are many, diverse, and sometimes conflicting.

In financial reporting there is a recognized rule or standards making body that can cover selected aspects of financial accountability. In general, however, there may be more than one rule making body. For instance, there can be governmental and private rule making bodies. This paper shall concentrate trade union rules and standards.

---

According to ATSWA (2009), the major accounts of trade union organizations consist of the following:

- (i) Receipts and payment account (cash book)
- (ii) Income and expenditure account (Statement of Operations) and
- (iii) Balance sheet (Statement of Financial Position)

**i. Receipts and Payments Account (cash book)**

This is a statement of cash actually received and paid during a given period. Receipts being debited and payments credited. It is, in effect, a summary of the cashbook, and therefore shows the opening and closing balances of cash in hand, and receipts and payments of any kind and on any account made during the period.

**ii. Income and Expenditure Account (Statement of Operations)**

Income and expenditure account are the equivalent of the profit and loss account of a non-trading concern. It contains only revenue items, being debited with all expenditure, and credited with all income of a period, whether or not it has actually been paid or received within that period. The final balance of an income and expenditure account represents the excess of income over expenditure or the excess of expenditure over income, as the case may be, for the period. This balance is similar to the net profit or loss of a trading concern.

**iii. Balance Sheet (Statement of Financial Position)**

The Balance sheet is the statement that shows the position of assets and liabilities at a particular time. Among the items in the balance sheet are the following;

Assets:

- Investment
- Fixed assets e.g furniture, plant, equipment, motor vehicles, buildings etc.
- Cash balances
- Debtors

Liabilities:

- Accumulated fund
- Other funds like building fund. Education fund etc

**iv. Trading Account**

It is not uncommon for clubs to engage in other income generating activities like business centers to raise additional revenue for the effective running of the union. These other activities are done with the sole aim of making profit. For instance, the aim of a local trade union is not to make profit but the union may operate a business alongside its

activities with the object of making profit. The profit will not be distributed among the members but rather used for the purpose of the union.

If a club has a business centers, a separate trading and profit and loss account will be prepared for its trading activities. The net profit from the bar activities is then included as income in the income and expenditure account. Any loss on the bar activities will be shown in the expenditure side of the income and expenditure account.

#### **v. Accumulated Fund**

This represents the opening capital of a not-for profit making organization. It has the same meaning ascribed to the capital accounts of a sole trader and partnership and is calculated as the difference between total assets and liabilities. It is usually common to see most trade unions organizations keeping accounts on single entry basis. For this reason, the procedure for preparing the accumulated fund of a trade union organization is the same as that of statement of affairs as obtained under incomplete records and single entry.

Other books to be kept by trade union are:

- Receipt books:
- Payment vouchers
- Assets registered: (this is rarely found to be maintain by the trade unions)
- Minutes books
- Bank statement
- Returns from branches
- General ledgers etc.

#### **Financial Statements Required**

Trade Union required the presentation of the following complete components of financial statements at the end of each financial year not less than 12 months period:

- i. Balance sheet (Statement of financial position);
- ii. Income and expenditure Account (Statement of Operations);
- iii. Cash flow statement; and
- iv. Accounting policies and notes to the financial statements

It is therefore expected that unions present all these financial reports to its members at the end of each year.

This paper focuses more on the collectivity of financial decisions by trade Union in particular.

- How the union raise money to cover spending and obligations
- The current and future financial health of the jurisdiction and the sub-entities of the Unions



- How their decisions comply with the expectations of rules or standard making bodies?

Another important issue is that historically, the focus of trade union financial reporting is on how well the trade unions usually do in carrying out legally authorized functions and that of their various sub entities (Zonal and Local chapters). The branches are expected to render periodic returns to the centre while it is the obligation of the national union to carry out annual audit of the both the national and the branch accounts of the union.

The trade union Act requires the National Executives Council or the Central Working committee of any trade union to ensure that the treasurer's account is audited annually by the duly appointed external auditor or approved by the Registrar of Trade Union

The annual financial returns of the trade union are jointly prepared by the union's treasurer and external auditor. Also, it is the responsibility of the external auditor to authenticate the account presented.

### **Benefits of Financial Reporting**

Technically, one of the major goals of financial reports is to assess financial success, conditions, and compliance of the trade unions and other sub entities (Zonal and Local chapters). With such information, the following benefits can be derived;

- a. Financial reporting help people make better decisions about their entire members. These decisions may relate to the election of officials, votes on new projects, and even the decision to pursue on their struggles for their entitlements or not.
- b. Financial reporting may provide information so that decisions/resolutions taken can make the Union better off.
- c. Financial reporting assesses the degree to which the trade unions administration, particularly the aspect of financial management, is in compliance with the budget. Because of the importance of the annual budget in accountability, trade unions presently make a clear distinction between current or annual items and long-term items in their financial reports, with emphasis on current items. Given trade unions heavy reliance on legality, financial reporting focus considerably on whether money was raised, handled, and spent according to legal and due authorizations. The word compliance in this case becomes very significant.

Financial reports are intended to improve decision making. These decisions can be economic such as a good return on investment or political such as how to vote on credible candidates into union's key offices or issue capacity to resist undue influences of employers.

### **METHODOLOGY**

The research is a historical research. The researchers looked at how records are presented and how finances are managed in the past with a view to come up with opinion whether these are done in the best way or there is way better to do it.



### Population of the Study

The study focused on all registered trade unions in Nasarawa State.

### Sample Size and Sampling Technique

The researchers selected five unions (ASUP, NASU, SSANIP, COESU, and ASUCA) from three tertiary institutions in Nasarawa State and administer questionnaires randomly to thirty (30) members of each of the unions.

### Data Collection

For the purpose of this research work, primary data were used. The data were obtained through the administration of structured questionnaire which was administered by the researchers to union leaders as well as other members.

### Data Presentation and Analysis

The data obtained are tabulated showing percentages of the responses question by question. The data are then interpreted.

Research question 1: What are the bases of Trade union financial management and reporting?

**Table 1: To determine the Bases of accounting in Trade Union**

Option	No. of respondents	Percentage
Cash Basis	60	40%
Accrual Basis	40	27%
Modified Accrual Basis	50	33%
Total	150	100%

*Source: Field Survey 2017*

The above table shows that 60 responses representing 40% are of the opinion that the trade union uses cash basis of accounting. 40 responses representing 27% affirmed that it is accrual basis, while 50 of the respondents representing 33% submit that it is modified accrual basis of accounting that is in use by trade unions.

Question 2: Is the financial management and reporting system of the union guided by regulations?

**Table 2: The regulations guiding the financial management and reporting system of the Trade union**

Option	No. of respondents	Percentage
Yes	120	80%
No	30	20%
Total	150	100%

*Source: Field Survey 2017*



Based on the above, it can be seen that 120 representing 80% agreed that there are regulations guiding the financial management and reporting system of the Trade union. 30 representing 20% responded contrary. This shows that trade union financial management and reporting system is guided by regulations

Question 3: How do you rate the management of union's resources?

**Table 3: The level of the management of union resources**

Option	No. of respondents	Percentage
Very effective	40	27%
Effective	70	47%
Ineffective	40	26%
Total	150	100%

Source: Field Survey 2017

In the table above 40 responses representing 27% rated the trade union resources management to very effective. 70 responses representing 47% rated it very effective, while 40 of the respondents representing 26% rated it as ineffective.

Question 4: Is the union financial reporting system transparent and accountable?

**Table 4: To determine transparency and accountability of union financial management and reporting.**

Option	No. of respondents	Percentage
Yes	75	50%
No	75	50%
Neutral	0	0
Total	150	100%

Source: Field Survey 2017

From the table above, 75 respondents representing 50% agreed that there is transparency and accountability of union financial management and reporting. 75 respondents representing 50% disagreed, while none expresses neutral opinion.

Question 5: Do you think there is attainment of the benchmark of union financial management and reporting?

**Table 5: To determine if the trade unions attain the benchmark of financial management and reporting.**

Option	No. of respondents	Percentage
Yes	66	44%
No	72	48%
Neutral	12	8%
Total	150	100%

Source: Field Survey 2017



In the table above, 66 respondents representing 44% agreed that there is transparency and accountability of union financial management and reporting. 72 respondents representing 48% disagreed, while 12 respondents representing 44% were neutral. This means the trade unions are yet to attain the benchmark of union financial management and reporting

Question 6: Are these reports always presented to members

**Table 6: Whether trade unions presents their financial reports as at when due.**

Option	No. of respondents	Percentage
Yes	125	83%
No	19	13%
Neutral	6	4%
Total	150	100%

*Source: Field Survey 2017*

Based on the table above, it can be seen that 125 respondents representing 83% agreed that the trade unions present their financial reports always. 19 respondents representing 13% disagreed, while 6 respondents representing 4% are not sure. This means trade unions present their financial reports always to their members. The researchers also obtained the union's annual financial statements which proved that they prepare and presents their financial reports yearly.

Question 7: In what ways do you think these reports really contribute to the growth and development of the unions?

**Table 7: To determine the contribution of financial reports to the growth and development of the unions.**

Option	No. of respondents	Percentage
Help union members have confidence on their leaders	75	50%
Safeguard union dues	25	17%
Checkmate union expenditures	50	33%
Total	150	100%

*Source: Field Survey 2017*

The table above shows that 75 respondents representing 50% believed that the trade unions' financial reports make members of the unions to have confidence on their leaders, 25 respondents representing 17% are of the view that the trade unions financial reports help in safeguarding the union members' dues, while 50 respondents representing 33% believe that the financial reports of the trade unions ensure accountability.

Question 8: Does government influence the union's financial management and reporting?



**Table 8: On the level of government influence on union's financial management and reporting.**

Option	No. of respondents	Percentage
Yes	64	43%
No	86	57%
Total	150	100%

*Source: Field Survey 2017*

Based on the table above, it can be seen that 64 respondents representing 43% agreed that there is government influence on union's financial management and reporting, while 86 respondents representing 57% disagreed. This shows that government has little or no influence on union's financial management and reporting.

## SUMMARY OF FINDINGS

The study made the following findings:

- i. The trade unions use cash basis accounting method in preparing their financial reports
- ii. The trade unions financial management and reporting system is guided by regulations
- iii. The trade unions have not yet attained the benchmark of union financial management and reporting standard
- iv. The trade unions present their financial reports regularly to their members
- v. The trade unions' financial report ensures accountability, transparency, builds confidence of members on their leaders.
- vi. There is no government influence on union's financial management and reporting.

## CONCLUSION

The main aim of financial management and reporting is to find an appropriate balance between the benefits of transparency and accountability to users and the compliance costs associated with financial reporting. This balance is achieved most of the time by applying effective principles of financial management and reporting.

Several minor and supporting changes are also required to make the financial management and reporting system fully effective.

## RECOMMENDATIONS

- i. Trade unions should use the modified accrual accounting method in recording and presentation of their financial records and reports.



- 
- ii. Unions should ensure that they adhere strictly to the principles and regulations of financial reporting standards.

## REFERENCES

- Accounting Technicians Scheme West Africa (ATSWA) (2009); Study Pack for Principles and Practice of Financial Accounting; Second Edition ABWA Publishers
- Austin U. Nweze (2013), The Nigerian Accountant January to March 2013 The official journal of the Institute of Chartered Accountant of Nigeria vol. 46 no.1 pg 19
- Hampton J, J (1992) financial decision making concept; problem and cases; Prentice-hall of India New Delhi
- Kurfi A .K. (2003): Principles of Financial Management; First Edition; Benchmark Publishers Ltd Kano
- Nwagboso J.C. (2010): Financial reporting in the Public Sector; A publication of The Association of National Accountants of Nigeria (ANAN) MCPD 2010 pg 34.
- Olagunju O.O, (2012): Funding Imperative and the Need for Accountability in Trade Unionism. Being a paper presented at in-plant workshop on effective Trade Union Governance in a changing World pg 3
- Olowe, R. A, "Trade Union Funds and Financial Control", Nigerian Journal of Industrial Relations, 7, December 2000, 34-52
- Oxford Advance Learners Dictionary; Internal Student's Edition
- Pandey I.M (1999) Financial Management, English Edition; Vikas Publishing House PVT Limited New Delhi
- Umoh P.N. (1997) Principles of Finance, page Publishers Services Limited Lagos