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ACCOUNTING FOR INTEGRITY: EXPLORING ACCOUNTABILITY SYSTEMS IN RELIGIOUS ORGANIZATIONS DEPARTMENT OF ACCOUNTING

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ABSTRACT: Managing church finances and accounting procedures, such as keeping track of income (like offertory, donations and tithes) and expenses (such as salaries and utilities), is known as church accounting. It involves organizing, recording, and planning church finances in addition to an accounting system where appropriate, accurate, and correct records are maintained to guarantee trustworthy reporting of events or business-related transactions. We adopted the library research method as it focuses on the content review of literatures of a subject matter. This research work was carried out to conceptualize the importance of church accounting to religious organization. Our quest is for all religious organization to take the rendering of accounts as a sacred function and an act of godliness since the concept of church accounting is rooted in the principles of transparency, accountability, and stewardship of resources. This means that church accounting is important as preaching holiness to the people which should not be seen as a voluntary exercise or a characteristic of secularism that are not in line with the ecclesiastical principle of sacredness but as spiritual exercise backed up biblically. Accounting principles and practice should be adopted by the churches religiously and various religious bodies should support the effectiveness of their fund management, administration and development as proper record keeping and rendering is the act of God and godly nature as God is a record keeper being the first Accountant in Revelation 20:12-15(KJV)

Keywords: Church Accounting, Accountability, Accounting System, the Church.

Introduction

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Financial statement preparation, expense management, and donation tracking are all included. It is unique among organizations in that it employs a fund accounting system that prioritizes accountability over profitability for funds raised from a variety of notable sources. Churches rely on a range of income sources to support their missions. For example, offertory pledge drives, gifts and tithing, Harvest and Bazaar, donations, capital campaigns, grants, investments, fundraising campaigns, and events. Every one of these sources of income is dependent upon the goodness of the congregation, and those who follow biblical teachings. This suggest that if the fund so raised are from members, congregations and bible believers it behooves on those whom these resources have been entrusted in to render accounts regularly to those who contributed same, and the society at large. In some churches the responsibility of handling money and accountability is left in the hands of one individual which may reduce accountability and transparency as proper record keeping may not be kept. Church accounting is grounded on the belief of proper book keeping and accountability as proper record keeping and rendering is the act of God and godly nature as God is a record keeper being the first Accountant in Revelation 20:12-15(KJV): “And I saw the dead, small and the great, stand before God; and the books were opened: and another book was opened, which is the book of life: and the dead were judged out of those which were written in the books according to their works” Additionally, good record keeping is identified as a proof of our integrity as children of God.

2 Corinthians 8:21. “Proving for honest things, not only in the sight of the Lord, but also in the sight of men” (2 Cor. 8:21, KJV).

“And he called him and said to him, ‘What is this I hear about you? Give an account of your management, for you can no longer be manager.’” (Luke 16:2) 2 Corinthians 5:10

“For we must all appear before the judgment seat of Christ, so that each one may be recompensed for his deeds in the body, according to what he has done, whether good or bad.”

This suggests that church accounting is a necessary condition for attaining the ultimate goal which is spiritual contentment and sanctity (Oti & Asuquo, 2015). It is rooted on stewardship and stewardship is the biblical principle of managing resources entrusted to one’s care for the benefit of others, particularly for the advancement of God’s kingdom. Religious books such as the Holy Christian Bible has given notable credit to accounting. In 1st Chronicles 29:1-9 where the gifts giving to King David and his son Solomon for supporting them in the building of the temple of God was accounted for as each head of the family gives and also in Mat. 25: 14-30 (the parable of the talents) where their master gives 5, 2 and 1 talents respectively to his servants according to their abilities and ask them to give account of how they used those talents when he later returned from his long journey. Religion is an essential background factor which defines and deeply affects the conduct of its members within societies, especially in religious nations like Nigeria. Church accounting is founded on the belief for proper record keeping and accountability as a basis of x-raying the integrity of the Christian character (1Corinthians 4:1-2).

“Let a man so account of us, as of the ministers of Christ, and stewards of the mysteries of God. Moreover, it is required in stewards that a man be found faithful”. (1 Cor. 4:1-2, KJV).

In church accounting, stewardship involves using financial resources in a way that honours God and serves the needs of the church community (Wasswa, 2023). This stewardship began in Genesis when the first man Adam was giving charge to care for the garden after Gods creation. The duty of Adam was to render accounts to God Almighty through his fellowship with him every evening. This denotes that accountability was instituted by God

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from the beginning. If this accounts rendering is through fellowship, it means that it is methodical and systematic which is the bedrock of accounting principle. Our quest here is to enlighten us the importance of church accounting as a panacea for accountability and transparency in Christendom and also, how church doctrines affect the accounting nature of the people, in relation to accountability, integrity and growth.

2. Literature Review

2.1 Conceptual Discussion Church Accounting

The concept of church accounting is rooted in the principles of transparency, accountability, and stewardship of resources (Chritiana & Affiru, 2018). Church accounting refers to the financial management and reporting practices of religious organizations. It involves the recording, classifying, summarizing, and interpreting financial transactions to provide accurate and timely financial information to church leaders, members, and external stakeholders. Church accounting is rooted on stewardship. Stewardship is the biblical principle of managing resources entrusted to one's care for the benefit of others, particularly for the advancement of God's kingdom. In church accounting, stewardship involves using financial resources in a way that honors God and serves the needs of the church community (Wasswa, 2023).

2.2 Accounting System

An accounting system is a structured and organized framework used by businesses and organizations to collect, process, store, and communicate financial information. It involves the use of procedures, processes, and software to record financial transactions, summarize data, and produce financial statements. The primary objectives of an accounting system are to provide accurate and timely information for decision-making, financial reporting, and compliance with regulatory requirements (Sarlin et al., 2021). This involves a set of procedures and processes used to record, classify, and summarize financial transactions in a church context. In the churches, an accounting system helps to ensure that financial information is accurate, timely, and useful for decision-making purposes. The accounting system in church accounting comprises of the chart of accounts. This is a list of all the accounts used to categorize financial transactions, such as donations, salaries, utilities, and program expenses. The chart of accounts helps to ensure that financial transactions are recorded consistently and accurately, as well as providing a framework for financial reporting and analysis. The accounting system in church accounting also makes use of generally accepted accounting principles (GAAP). GAAP provides a set of rules and guidelines for financial reporting that help to ensure that financial information is accurate, transparent, and comparable over time. By following GAAP, churches can ensure that their financial reports are reliable and can be relied upon by church leaders and members in making informed decisions. In producing financial statements, the accounting cycle consist of:

2.2.1 Charts of Accounts: A chart of accounts is a list of all the accounts used by an organization to record its financial transactions. These accounts are organized in a systematic manner, facilitating the classification and organization of financial data.

2.2.2 Double-Entry Accounting: Double-entry accounting is a fundamental accounting concept where every transaction has equal and opposite effects on at least two accounts. This system helps maintain the accounting equation ($\text{Assets} = \text{Liabilities} + \text{Equity}$) and ensures the accuracy of financial record.

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2.23 Journals and Ledgers: Transactions are initially recorded in journals, such as the sales journal or cash receipts journal. These entries are then posted to corresponding ledgers, such as the general ledger, which contains accounts for assets, liabilities, equity, revenue, and expenses.

2.2.4 Trial Balance: The trial balance is a summary of the balances of all accounts in the general ledger at a specific point in time. It ensures that debits equal credits, providing a preliminary check on the accuracy of the accounting records.

2.3 Financial Statements: The accounting system generates financial statements, including the income statement, Statement of financial position, and cash flow statement. These statements provide a comprehensive overview of an organization's financial performance and position. Churches though are not for profit making organization should as a matter of necessity and sanctity go through the accounting system in handling their financials.

2.4 Accountability

The International Organization of Supreme Audit Institutions (INTOSAI) as cited in Iyoha & Oyerinde, (2010) defines accountability as economic accountability of a person or an entity entrusted to manage resources, tasks, and programs. This means that accountability is the responsibility of both individuals and institutions. In the context of religion, churches often collect large amounts of money as offerings on Sunday mornings (Ahiabor & Mensah, 2013). If this is so such money collected should be properly accounted for as it was not a gift but a fulfillment of spiritual calling to attain to need of the church, therefore it becomes more spiritual and churchlike for the entrusted with these finances to account same to the givers.

2.5 Transparency

The concept of transparency refers to openness, clarity, and accessibility of information in various contexts, including governance, business, and relationships. It is the practice of sharing information in a way that is easily understandable and accessible to those who have a legitimate interest or right to know (Wasswa, 2023). Transparency promotes accountability, trust, and informed decision-making. Transparency refers to freedom to get access to true, reliable, and non-prejudiced information on organizational management and for success (Wasswa, 2023). Transparency in church management may be a communal disclosure, which is making information on the oversight and the activities that transpired to all stakeholders of the church and interested parties.

Transparency in church accounting that involves being open and forthright about financial practices. In the context of churches, transparency helps to build trust with church members and external stakeholders, as well as promoting good governance and stewardship of resources. One key aspect of transparency in church accounting is disclosing all sources of income and expenses. This involves providing detailed financial reports that clearly identified all sources of revenue, including donations, grants, and investment income, as well as all expenses, including salaries, utilities, and program expenses. By disclosing all sources of income and expenses, churches can demonstrate that they are using resources in a responsible and transparent manner.

2.6 Stewardship

Stewardship is a fundamental value in church management that refers to the responsible and faithful use of resources entrusted to a church by God and its members. Stewardship involves being accountable for the use of resources, managing resources wisely, and being transparent in financial reporting (Wasswa, 2023). In church

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management, stewardship involves being responsible for the use of financial resources, human resources, and physical resources such as buildings and equipment. Stewardship also involves being responsible for the spiritual and social well-being of church members and the community (Adewole & Adewale, 2021).

2.7 The Church

The meaning of the church is a multifaceted concept that varies across Christian denominations and theological perspectives. It can refer to a physical building, a community of believers, or the universal body of Christ. Church is generally defined as a building used for communal worship. However, people refer to a church as an organization. Catholic Church, Protestant Church, Pentecostal Church, the Church of Christ, and the Baptist Church amongst many others can be seen as examples. One prevalent metaphor for the church is the "Body of Christ" as described by the Apostle Paul in 1 Corinthians 12:12-27. This metaphor emphasizes the interconnectedness and diversity of believers within a unified whole.

2.8 Agency Theory

Agency theory (Jensen & Mecklings, 1976). The theory illustrates the connection between the principals and the agents in the organizations, for example, organizational officials and managers. In agency theory, the principal (shareholders) delegates authority to the agent (managers) to make decisions on their behalf (Wasswa, 2023). The agent is expected to act in the best interests of the principal, but there is a risk that they may act in their own self-interest or neglect their duties. To mitigate this risk, the principal can implement various mechanisms to align the interests of the agent with those of the principal. The principal can monitor the agent's actions to ensure they are acting in accordance with their duties. This can be done through regular reporting, audits, or performance evaluations. The principal can design compensation structures that align with the organization's goals and objectives. This can include bonuses, stock options, or performance-based pay to incentivize agents to act in the best interests of the principal. The principal can establish a governance structure that provides oversight and accountability for the agent's actions. This can include board of directors, independent auditors, or regulatory bodies to ensure compliance with laws and best practices.

According to Wasswa (2023), an organization has a principal which is the church members, and entrust agents which is the church leaders, to manage the church. This viewpoint emphasizes the differences between ownership and management (Naciti et al., 2022). The agents are hired by the shareholders (organizational owners) to run the daily operation of the business, thereby resulting in the agency dilemma. The separation between control and ownership indicates that agents (church leaders) run the organization on behalf of the owners (church members). These depicts that the church members entrust the administration of the church to the church leaders.

These incorporates the concept of church accounting that recognizes the potential for conflicts of interest between church leaders and members, and the need to manage these conflicts in a responsible and accountable manner. In the context of churches, agency theory promotes good governance, transparency, and financial accountability, as well as encouraging church leaders to act in the best interests of the church and its members (Nyarugwe et al., 2021). Agency theory in church accounting is the concept of fiduciary responsibility. This refers to the legal and moral obligation of church leaders to act in the best interests of the church and its members, and to manage resources in a responsible and accountable manner. By recognizing their fiduciary responsibility, church leaders can ensure that resources are used in a way that is consistent with the mission and values of the church and by so doing the have rendered their stewardship to God Almighty.

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3. Methodology

We adopted the library research method. This is because our work focused on the content review of extant literatures on the importance of church accounting as an aid to transparency and accountability in churches.

4. Discussion of reviews

Wasswa (2023) work on the effect of accountability, transparency, and integrity of Church leaders on fraud prevention in the management of Church funds. Introduces to us the need for the managers of church funds to have integrity in the management of church funds. The drive for integrity will naturally make one accountable and transparent. Adewole and Adewale (2021), research on the impact of accounting practices on the development of religious organizations focused on the Nigerian Baptist Church in Ogbomoso, Oyo state. The researcher enlightened us on accounting as a service process which is engaged upon by the church to provide qualitative financial information about activities that is useful in making economic decisions in today's world. Therefore, churches are mandated to prepare financial statement to be accountable in front of her congregation, on incomes received and expenses incurred.

In the research work by Etumudon (2021), Christian religious footprints on accounting, made us to understand that the Bible recorded the teaching of modern accounting standards and practices. The Christian religion has sharpened the accounting perspective and practices and is contributing immensely to the accounting profession. Anita (2021) present to us Church accounting concepts with the understanding of God's Kingdom, tells us that in understanding God Kingdom, church accounting should be considered. The understanding of the Kingdom of God will reinstate the exact crux of accounting in the church. In Chritiana and Affiru (2018) who embarked on research to study the chart of accounts on the aspect of a critical element of the church financial management framework in Nigeria focusing on a survey of selected churches in Nasarawa State, Nigeria. The researcher enlightened us that the solution to church critical financial management is by introducing a chart of account which will aid effective and administrative management. Finally, Oti and Asuquo (2015) work on the framework of church accounting in Nigeria through a pragmatic examination of the problems, prospects and financial implications of proliferation of churches revealed to us that the framework of a church is based on its accounting practices and the core accounting practices need to be identified for church growth and development.

Conclusion and Recommendation

The concept of church accounting is rooted in the principles of transparency, accountability, and stewardship of resources. Church accounting refers to the financial management and reporting practices of religious organizations. It involves the recording, classifying, summarizing, and interpreting financial transactions to provide accurate and timely financial information to church leaders, members, and external stakeholders. Church accounting is governed by both secular accounting principles and religious doctrine, which can sometimes create unique challenges and opportunities for financial management. Since, church accounting is rooted on stewardship and stewardship is the biblical principle of managing resources entrusted to one's care for the benefit of others, particularly for the advancement of God's kingdom and honor to God Almighty, it behooves, on those whom these resources have been entrusted in to render accounts regularly to those who contributed same, and the society at large. Therefore, the core values and principles of the church which includes accountability and transparency is affected by the church accounting principles adopted. Equally, church religious belief, policies, rules, convention and the demand for accountability by the congregation on church funds are the issues that influence

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the implementation of accounting principles and practice in the church positively. Accounting principles and practice can significantly impact the accountability and transparency of Churches which is act of God.

This suggests that, accounting principles and practice should be adopted by the churches religiously and various religious bodies should support the effectiveness of their fund management, administration and development as proper record keeping and rendering is the act of God and godly nature as God is a record keeper being the first Accountant in Revelation 20:12-15(KJV):

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