EVALUATION OF FIRMS' FINANCIAL STATEMENT FIGURES UNDER NIGERIAN GAAP AND IFRS REPORTING REGIMES ACROSS ECONOMIC SECTORS IN NIGERIA

Ogechi Eberechi Alpheaus, PhD
Department of Accounting,
College of Management Sciences,
Michael Okpara University of Agriculture, Umudike
alpheausogechieberechi@gmail.com

Abstract

The objectives of this paper are to provide a cross-sector assessment of the level of IFRS implementation in Nigeria, and compare financial statement figures of listed entities prepared using the Nigerian Generally Accepted Accounting Principles(NGAAP) with their IFRS-restated equivalents. An implementation disclosure checklist was used to determine the implementation level on eighteen IAS/IFRS standards using content analysis. Financial statements of twenty-one listed entities from ten sectors in the Nigerian economy were analyzed for the period 2012 to 2018. Paired samples of NGAAP-based financial statement figures and IFRS-restated equivalents for the year preceding the year of IFRS adoption were also obtained and tested for significant differences. Results indicate high level of IFRS implementation across economic sectors in Nigeria; with the financial services sector recording the highest index of 0.925 while the agricultural sector had the least compliance index of 0.658. The paired samples t-test results reveal significant mean differences between NGAAP-based and IFRS-restated financial statement figures on Return on Assets(ROA) and Net Income(NI), whereas the mean differences in Earnings Per Share(EPS), Total Assets(TA), Book Value of Equities(BVE), and Property, Plant and Equipment(PPE) were not statistically significant. The paper concludes that while the level of IFRS implementation by firms in Nigeria is generally high across the sectors, observable differences between NGAAP-based and IFRS-restated financial statement figures are not uniform but varied with accounting figures. The paper therefore recommends that corporate bodies, governments and financial reporting regulators should strengthen compliance through capacity building opportunities, setting implementation targets and granting fiscal and other compliance incentives to sustain high compliance to set standards and enhance the attractiveness of corporate entities at global investment markets.

Keywords: Financial reporting standards, Implementation level, NGAAP-based reporting, IFRS-restatement, Financial statement figures

Introduction

International Financial Reporting Standards (IFRS) is a principle–based accounting standards issued by the IFRS Foundation and the International Accounting Standards Board (IASB) to provide a common language for business affairs across international boundaries. Its implementation is not just about changing accounting policies of corporate entities; its influence covers all aspects of a company, including financial reporting systems, internal controls, treasury, management compensation, taxes, and cash management, among others.

Prior to 2001, the IASB existed as the International Accounting Standards Committee (IASC) – the first international standard setting body which was formed in 1973 by sixteen (16) professional accountancy bodies across the globe (Abata, 2015). The IASC originally published IAS, many of which were adopted by the IASB on its inception in 2001. As at August 2019, there are 16 IFRS and 29 IAS, and it is expected that IAS will be replaced with IFRS once it is finalized and issued by IASB (https://www.wikiaccounting.com/list-ifrs-ias/).

The origin of IFRS adoption is traced to the agreement in 2002 by members of the European Union (EU) that starting from January 1, 2005, IFRS would be applied for consolidated accounts of the EU listed companies. It was an attempt to harmonize accounting reporting and practice across the European Union, but the benefit of the harmonization stimulated interest on the concept around the world. It was designed to serve as a common global language for business affairs to enable accounts prepared by companies to be comparable and understandable across international boundaries. The standard therefore emerged in response to growing international shareholding and trade, and are fast replacing many different domestic/national accounting standards. IFRS set common rules so that financial statements can be consistent, transparent and comparable around the world.

Before the agreement by EU member countries, individual countries adopted their domestic accounting standards. Following globalization of business and increase in cross border transactions among nations justifications were made for the global economy to adopt a common set of financial reporting rules that can be consistent, transparent and comparable around the world. The standard was intended to enhance access to international markets, offers comparability, lower transaction costs, reduce information

asymmetry, and opportunities for accounting manipulation and stimulate greater international investment with positive impacts on firms' stock returns and financial performance measures (Ibanichuka & Asuquo, 2018; Epstein, 2009; Ahmed, 2010 and Madawaki, 2012). More importantly, for the Nigerian government, joining other countries of the world to embrace the new accounting standard is expected to enhance financial reporting quality and make entities in Nigeria to be more attractive and accessible to capital from both local and foreign investors. Consequently, government approved a three phased transitional arrangement for the adoption of IFRS in the country beginning from January 1, 2012 for three consecutive years.

Following the approval for the commencement of IFRS adoption by Nigerian Government, a number of reservations were expressed by many stakeholders. There were agitations that bordered on political/sovereignty considerations, while others were concerned with economic factors as to whether a single set of reporting standards can truly meet the needs of economies at different stages of development. It was further argued that capacity building to unlearn reporting rules previously acquired under the domestic accounting standards and the training resources needed to adapt to the new standards may not be readily available at affordable costs in developing/emerging economies like Nigeria, just as upgrading of information reporting technology to align with the new accounting standards may constitute serious setbacks for entities in such jurisdictions (Akinyemi, 2012). It was equally argued that the adoption will depress financial statement figures when compared with the NGAAP-based financial statements, and thus create no economic advantage or inducement for adopting entities in Nigeria. These concerns were speculated to inhibit the level of implementation of IFRS by listed entities across economic sectors in the Nigerian Stock Exchange (NSE).

Many researchers have sought and found explanations for low level of compliance to IFRS in different parts of the world and thus provide policy direction on the factors that should be targeted for mitigation if appreciable progress should be achieved in the level of IFRS adoption. For instance, Obazee (2007) reviewed the principal factors affecting the implementation of IFRS in Europe, America and the rest of the world and noted that cultural issues, mental models, legal impediments, educational needs and political

influences were more prevalent than the most widely perceived technical issues. Cairns, (2001) linked the problem to the failure of auditors to express opinion on IFRS compliance or non-compliance and concluded that the major challenge for implementation of IFRS centred on enforcement mechanisms of IFRS especially in jurisdictions with weak institutions and enforcement agencies. Ball (2006) evaluated the challenges faced by countries in implementing IFRS and reported that changing culture and hindrances in developing systems of regulation and accountability are major deterrents. He reported the existence of cultural, language, regulatory/legislative challenges as well as increasing demands for greater accountability and wider political participation by countries as impediments to IFRS adoption.

Rong-Ruey (2006) identified implementation challenges of IFRS to include timely interpretation of standards, continuous amendment to IFRS, accounting knowledge and expertise possessed by financial statement users, preparers, auditors and regulators.

UNCTAD, (2008) reported the challenges of adopting IFRS to include gap between education in Kenya and the requirements of IFRS, the lack of training and inability of accountants and professional bodies in Kenya to remain abreast of the standards issued by IASB and lastly, lack of Kenya representative in the standard setting process. Presenting the position as it affects African continent, Katto (2010) equally noted that the lack of professional accountants, lack of awareness of the value of audit and professional accounting bodies and stock exchanges do not exist in all African countries to promote financial reporting. South Africa is not left out as some of the challenges they will face relates to high cost of convergence and implementation, the realization that the complexity around the standards was greater than anticipated.

In Nigeria some of the challenges of the implementation of IFRS as posited by Abdulkadir (2012) include poor enlightenment campaign, shortage of manpower for IFRS implementation, associated problems in higher institutions, lack of training resources, the tax implication, Another problem inherent with the adoption of IFRS is the universal tendency to resist change (NASB 2010). Gambari (2010) stated that successful adoption of IFRS entails assessing technical accounting, tax implications, internal processes, and statutory reporting, technology infrastructure, and organizational issues. Adejoh and

Hasnah (2014) reported that IFRS implementation possess major challenges for tax practice in Nigeria advising that implementation of IFRS should not be a rushed decision because of the daunting effects it could have on the economy.

These reasons however should not form basis for major decisions because what good will a financial statement be if being reported under the IFRS standard becomes irrelevant, untimely, costly, incomprehensive, unreliable, does not give faithful representation to the stakeholders. Therefore, developing countries should pursue international harmonization of these accounting standards as far as it does not hamper the local accounting needs, laws and regulations. Also one of the main objectives for proposing the IFRS is to achieve a globalized capital market whereas most developing countries, Nigeria inclusive possess weaker or no capital, then surely adopting these standards can be disastrous to some degree (Ayuba, 2012).

However, assessment of progress towards the global adoption of IFRS around the world indicate that out of 166 jurisdictions monitored/profiled by IFRS Foundation and IASB, about 144 countries including Nigeria have complied with IFRS as at September, 2019. The jurisdictions profiled represent over 98% of the world's GDP, and so provide an accurate picture of global IFRS adoption. Analysis of the profiles by number of listed companies indicate that of the approximately 49,000 domestic listed companies on the 93 major securities in the world, over 29,000 use IFRS, and only three countries are yet to have entities that adopted IFRS (IASB Guide to IFRS Adoption). These progress reports provide impressive global perspective to the compliance level of IFRS by jurisdictions. However, within individual countries, and in particular in Nigeria, there is need to determine the commitments to IFRS (level of compliance by listed entities and by sectors) in the economy, and thus identify entities and sectors that require greater monitoring and supervisory controls to induce greater compliance. There is also need to ascertain whether NGAAP-based financial statement figures differ significantly from their IFRS-restated equivalents. These constitute the central problems which the present study investigated. Specifically, the objectives of this paper are to:

1. Ascertain the distribution of IFRS implementation level by listed entities across different economic sectors in Nigeria

2. Evaluate the difference between NGAAP-based financial statement figures and IFRS-restated equivalents of listed entities in Nigeria.

The paper tested six sub hypotheses derived from one main hypothesis. The main hypothesis is stated viz:

H0:   There is no significant difference between the means of NGAAP-based financial statement figures and their IFRS-restated equivalents of listed entities in Nigeria.

The remaining paper of this paper is devoted to the methodology adopted in collected the required data for meeting the stated objectives and for testing for the problems as hypothesized, and on the basis of which policy recommendations were made.

Methodology

Ex-post facto research design was adopted in extracting pre-existing financial statement figures of 21 listed entities purposively selected from ten sectors of the Nigerian economy based on specified criteria. Paired samples of financial statement figures on Earnings Per Share (EPS), Return on Assets (ROA), Net Income (NI), Total Assets (TA), Book Value of Equities (BVE), and Property, Plant and Equipment (PPE) under the two financial reporting treatments (NGAAP and IFRS) for the year preceding the year of adoption of the new standard were extracted and compared. Also, an IFRS Implementation Disclosure Checklist was drawn and used in constructing the proxy for IFRS implementation. The Checklist contains relevant and applicable question items on eighteen (18) IAS/IFRS standards, all totaling eighty-seven (87) item questions based on sufficient and adequate coverage of reporting/disclosure requirements in each of the standards.

Each item question in the Checklist was scored based on the assumption that each item implemented is equally important and provides a neutral assessment of the items, while reducing subjectivity (Cooke, 1989). The scoring process is dichotomous and followed the procedure used by Wallance and Naser (1995), Shehata, *et. al.,* (2014) and Tapang (2016). Thus, each item on the Checklist was assigned a value of '**1**' if implemented and '**0**' if the item is assumed relevant but not implemented. Items that are not applicable and items that are unknown to the researchers were coded '**NA**' (Not Applicable). The score (index) for

each standard is the ratio of actual disclosure of that standard divided by applicable disclosure of the standard; excluding non-applicable items of the standard.

The index was computed for the 18 IAS/IFRS for each year that the standard was adopted by an entity. The yearly IFRS Implementation Index (IFRSII) for a company was then computed by dividing the number of items that was implemented on the Checklist by the number of possible items. Thus,

$$IFRSII = \frac{TI}{(TI+TNI)}$$

Where,

IFRSII = IFRS Implementation Index for an entity in a particular year.

TI = Total Implemented question items with scores of "**1**" on the Checklist in a particular year.

TNI = Total Not Implemented relevant question items with scores of "**0**" on the Checklist in a particular year.

The resulting index was used as data for assessing the level of disclosure on IFRS implementation by listed entities in each of the ten sectors studied.

Validation of IFRS Implementation Disclosure Checklist

The Disclosure Checklist was validated by five expert in the field of accounting (two senior academics, two practicing Accountants, and one experienced staff of Financial Reporting Council of Nigeria) to ascertain the appropriateness of the item questions in the Checklist. Their comments and corrections on the question items were reflected. Fifteen (15) financial statements of some companies that were not included in the sample used for the study were sourced, marked IFRS-1 to IFRS-15 and given to each of the five validators for scoring using the IFRS Implementation Disclosure Checklist. The rating scores are shown in Appendix 1. Kendall's Coefficient of Concordance (Kendall's W) was used to determine the degree of agreement among the scorers. With Kendall's W = 0.913 as reported in Appendix 2, the test statistic shows high level of agreement among the raters, and thus affirms that the instrument is reliable.

Descriptive statistics were used to describe the data while the Paired Samples T-test was used to determine whether there is any statistical evidence to show that the mean differences between paired observations (NGAAP-based and IFRS-restated accounting figures on specified outcomes) significantly differed.

Results and Discussions

Results from the data analyzed are reported in two sub sections.

    a) Level of IFRS Implementation in Nigeria

A cross sector overview of the level of IFRS implementation in Nigeria based on the Index obtained using IFRS Implementation Disclosure Checklist is presented in table 1.

Table 1: IFRS Implementation Level in Different Economic Sectors.

Descriptive Statistics

	No of Financial Statements	Min	Max	Mean	Ranking on IFRSII	Std. Deviation
Agriculture	7	.65460	.73250	.6637571	10	.06336647
Conglomerates	7	.76540	.87960	**.8454857**	**5**	.05418045
Construction	7	.66120	.72670	.6865000	9	.02686503
Consumer Goods	21	.76550	.98570	**.8857429**	**2**	.07548755
Financial Services	14	.87130	.98970	**.9458929**	**1**	.05473143
Healthcare	14	.65960	.98680	.7748786	8	.09919868
Industrial Goods	21	.76850	.90940	**.8610381**	**4**	.04896744
Natural Resources	14	.65640	.98930	**.8373286**	**6**	.11113170
Oil and Gas	21	.76580	.98730	**.8772857**	**3**	.04919377
Services	21	.65460	.98960	.7928190	7	.11966416
Grand Total / Mean	**147**			**.817073**		

Source: Computed with IFRS Implementation Disclosures Index based on content analyses of published financial statements of selected companies.

A total of 147 financial statements published by the 21 selected entities were scored using the Disclosure Checklist. With a grand mean of .817, table 1 indicates that the level of IFRS implementation by listed entities across the ten economic sectors investigated is generally high. Six (6) sectors as highlighted under the *mean* column in the table, have mean implementation indices that are above the grand mean figure. The Financial Services sector had a mean implementation index of .946 to lead firms in other sectors in complying

8

with IFRS. This may not be unconnected with the high reporting requirements imposed on banks and other financial institutions that operate within the sector by the supervisory authorities. The Consumer Goods, Oil and Gas, Industrial Goods and Conglomerates sectors followed in that sequence with mean implementation indices of .886, .877, .861, and .845. The Agricultural sector took the rear with .664 as the mean IFRS implementation index by entities in that sector. A pictorial representation of the mean scores by sector is shown in the pie chart in figure 1.

Figure 1: Pie Chart of IFRS Implementation Level by Economic Sectors in Nigeria
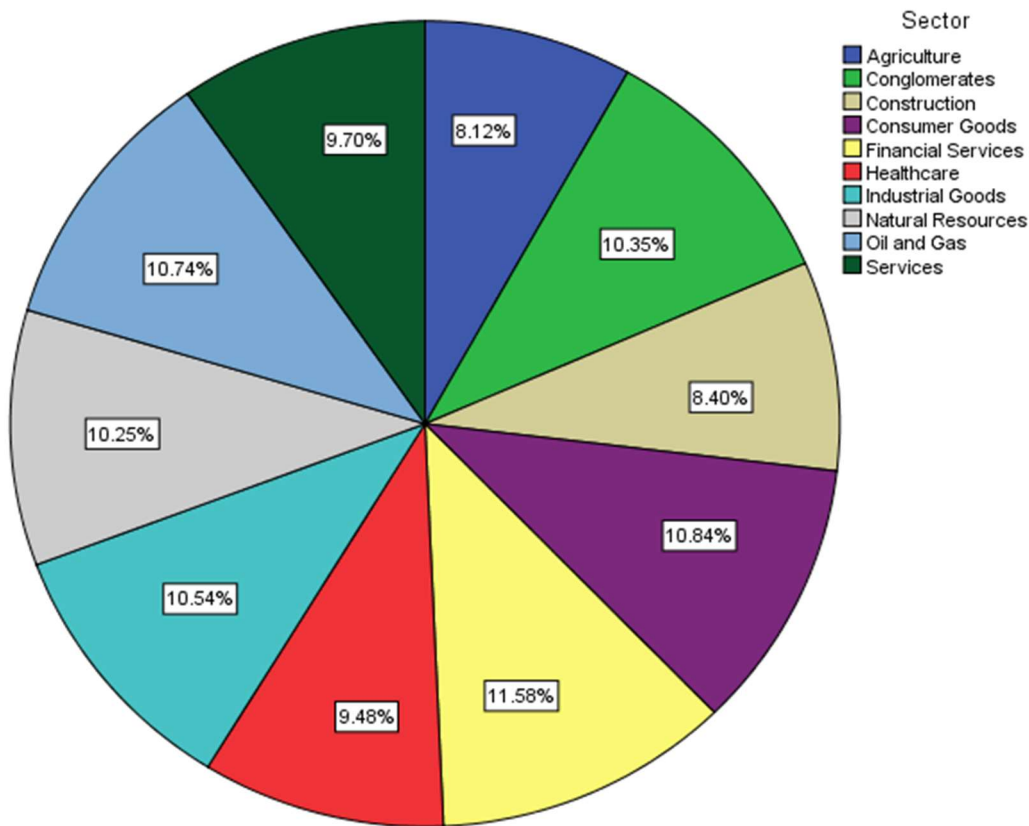
b) Differences in Mean NGAAP and IFRS-restated Financial Statement Figures

One of the speculations that surrounded the introduction of IFRS was that the new financial reporting standard (IFRS) could yield accounting figures that are materially different from the equivalent figures that could have resulted from the application of the old standard (NGAAP), and thus create different/wrong impressions on the true financial performance

and position of the reporting entity to users of the financial statements. This work tried to provide evidence to affirm or nullify this speculation by addressing the question:

What are the differences between NGAAP-based and IFRS-restated financial statement equivalent figures of listed entities in Nigeria?

In answering this question, paired samples of financial statement figures under the two financial reporting treatments (NGAAP and IFRS) for the year preceding the year of adoption of the new standard were obtained and compared. The paired samples of NGAAP-based and the IFRS-restated numbers on EPS, ROA, NI, TA, BVE and PPE were compared and the statistics shown in table 2.

Table 2: Paired Samples Statistics of Selected Financial Statement Figures.

Paired Samples Statistics

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	EPSIFRS	137.2986	21	740.79898	161.65559
	EPSNGAAP	22.6719	21	1244.04989	271.47394
Pair 2	ROAIFRS	17.3629	21	13.60569	2.96901
	ROANGAAP	6.9658	21	14.73212	3.21481
Pair 3	NIIFRS	92563121.95	21	173699469.658	37904331.804
	NINGAAP	11068198.43	21	31940716.569	6970035.782
Pair 4	TAIFRS	274844027.67	21	547501189.875	119474554.556
	TANGAAP	280280328.33	21	549318608.550	119871147.825
Pair 5	BVEIFRS	54621863.95	21	103604895.865	22608441.794
	BVENGAAP	61715071.52	21	101336760.730	22113494.130
Pair 6	PPEIFRS	62935349.62	21	103143246.760	22507701.700
	PPENGAAP	66929989.90	21	111124734.495	24249405.114

Source: Computed with data extracted from published financial statements of the selected entities.

Table 2 shows six pairs of financial statement figures with their corresponding means and standard deviations. In three (3) out of the six pairs (EPS, ROA, and NI), the means for IFRS were found to be greater than the NGAAP equivalents, while the reverse is the case for TA, BVE and PPE where NGAAP means were greater than their IFRS equivalents. The main hypothesis (H0) formulated to evaluate the significance of the mean differences is restated here as follows:

H0: *There is no significant difference between the means of NGAAP-based and IFRS-restated financial statement equivalent figures of listed entities in Nigeria*

This hypothesis was divided into sub hypotheses to fit into the six specified financial statement figures (EPS, ROA, NI, TA, BVE and PPE) they are stated as follows:

$H0_1$: *There is no significant difference between the means of NGAAP-based and IFRS-restated equivalent figures for Earnings Per Share (EPS) of listed entities in Nigeria.*

$H0_2$: *There is no significant difference between the means of NGAAP-based and IFRS-restated financial statement equivalent figures for Return on Assets (ROA) figures of listed entities in Nigeria.*

$H0_3$: *There is no significant difference between the means of NGAAP-based and IFRS-restated financial statement equivalent figures for Net Income (NI) figures of listed entities in Nigeria.*

$H0_4$: *There is no significant difference between the means of NGAAP-based and IFRS-restated financial statement equivalent figures for Total Assets (TA) of listed entities in Nigeria.*

$H0_5$: *There is no significant difference between the means of NGAAP-based and IFRS-restated financial statement equivalent figures for Book Value of Equity (BVE) of listed entities in Nigeria.*

$H0_6$: *There is no significant difference between the means of NGAAP-based and IFRS-restated financial statement equivalent figures for Plant Property and Equipment (PPE) of listed entities in Nigeria.*

Each of the paired means were tested for possible statistical difference and the results are reported in table 3.

Table 3: Paired Samples T-Test Results of Selected Financial Statement Figures

Paired Samples Test

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	EPSIFRS - EPSNGAAP	114.62667	570.91236	124.58329	-145.24953	374.50286	.920	20	.368
Pair 2	**ROAIFRS - ROANGAAP**	10.39715	22.03433	4.80829	.36724	20.42706	**2.162**	20	**.043**
Pair 3	**NIIFRS - NINGAAP**	81494923.524	162184519.886	35391563.759	7669415.182	155320431.866	**2.303**	20	**.032**
Pair 4	TAIFRS - TANGAAP	-5436300.667	35971744.919	7849678.284	-21810442.641	10937841.307	-.693	20	.497
Pair 5	BVEIFRS - BVENGAAP	-7093207.571	35159864.132	7672511.372	-23097785.842	8911370.699	-.924	20	.366
Pair 6	PPEIFRS - PPENGAAP	-3994640.286	17667350.251	3855331.898	-12036721.701	4047441.130	-1.036	20	.313

Source: Computed with data extracted from published financial statements of the selected entities.

The paired samples t–test on EPS indicates that the mean figures are not significantly higher for the IFRS-restated mean numbers (M = 137.299, SD = 740.799) than for the NGAAP-based mean figures (M = 22.672, SD = 1244.050), t(20) = .920, p = .368 > .05. Similarly, the results on TA, BVE, and PPE show that IFRS-restated figures are not significantly higher than the NGAAP figures with respective p-values of .497, .366 and .313 being > 0.05. However, the paired samples t-test results on ROA and NI provide statistical evidence that the resulting mean differences between paired NGAAP-based and IFRS-restated figures are significant. The t-test results on ROA indicate a significantly higher IFRS-restated mean figures (M = 17.363, SD = 13.606) than for the NGAAP-based mean numbers (M = 6.966, SD = 14.732), t(20) = 2.162, p = .043 < .05. Also, the test results on Net Income (NI) show that IFRS restated mean figures (M = 92,563,121.95, SD = 173,699,469.66) were

significantly higher than the NGAAP-based equivalent mean figures (M = 11,068,198.43, SD = 31,940,716.57), t(20) = 2.303, p = .032 < .05.

The summary of the test results on the series is shown in table 4:

Table 4: Summary of T-Test Results on differences between the means of NGAAP-based and IFRS-restated financial statement figures of listed entities in Nigeria

Accounting Figure Restated	F	Sig.	Decision	Conclusion
EPS	.920	.368	**Accept $H0_1$**	**No significant difference exists between the means of NGAAP-based & IFRS-restated Earnings Per Shares (EPS) figures**
ROA	2.162	.043	**Reject $H0_2$**	**Significant difference exists between the means of NGAAP-based & IFRS-restated Return on Assets (ROA) figures**
NI	2.303	.032	**Reject $H0_3$**	**Significant difference exists between the means of NGAAP-based & IFRS-restated Net Income (NI) figures**
TA	.693	.497	**Accept $H0_4$**	**No significant difference exists between the means of NGAAP-based & IFRS-restated Total Assets (TA) figures**
BVE	-.924	.366	**Accept $H0_5$**	**No significant difference exists between the means of NGAAP-based & IFRS-restated Book Value of Equities (BVE) figures**
PPE	-1.036	.313	**Accept $H0_6$**	**No significant difference exists between the means of NGAAP-based & IFRS-restated Property, Plant and Equipment (PPE) figures**

Source: Extracted from results in the table 3

Table 4 summarized the conclusions on each of the six sub hypotheses evaluated. Test results show that no significant differences exist between the NGAAP-based accounting figures for EPS, TA, BVE and PPE and their IFRS-restated equivalents in Nigeria, while the test results for ROA and NI indicate that significant differences exist between the NGAAP-based and IFRS restated equivalents of the accounting numbers.

Based on the test results, Null Hypotheses, $H0_{1(a)}$, $H0_{1(d)}$, $H0_{1(e)}$ and $H0_{1(f)}$, were accepted with the conclusion that *There is no significant difference between the means of NGAAP-based and IFRS-restated financial statement equivalent figures for Earnings Per Shares (EPS), Total Assets (TA), Book Value of Equities (BVE), and Plant, Property and Equipment (PPE) of listed entities in Nigeria*. However, two Null Hypotheses, $H0_{1(b)}$ and $H0_{1(c)}$, were rejected with the conclusion that *significant differences exist between the means of NGAAP-*

based and IFRS-restated financial statement equivalent figures for Return on Assets (ROA) and Net Income (NI) of listed entities in Nigeria. Accordingly, the significant of the differences between NGAAP-based and IFRS-restated financial statement figures of listed companies in Nigeria are not uniform but varied with accounting figure s being considered.

Discussion of Findings

The high compliance indices observed across the sectors are coming against *a priori* expectations based on the numerous concerns initially expressed by stakeholders at the commencement of the implementation roadmap. As an emerging economy with a number of economic challenges facing corporate entities, it was agued the a single set of global reporting standards could undermine developing economies that may not be able to adjust and establish sustainable training frameworks to manage the changes which the new standards could demand (Odia & Ogiedu, 2013 and Abdulkadir, 2012). These challenges combined with cultural, legal, political and economic issues to raise fears on the capacity of listed entities in Nigeria to implement the global standards. Thus, the *a priori* expectation of IFRS adoption level in Nigeria was predicted to be low.

However, the general high compliance level reported across the sectors may not be unconnected with greater commitment by regulators and other stakeholders in the financial reporting process. For instance, listed entities in the financial services sector have a tradition of strict compliance to guidelines prescribed in statutes establishing them coupled with close monitoring by the Central Bank of Nigeria (CBN), Nigerian Deposit Insurance Corporation (NDIC), the Nigerian Insurance Commission (NIC) as regulators of operational standards in the sector. Thus, the experiences gathered and the effective controls instituted and sustained by the supervisory authorities may have accounted for their lead in complying to the new financial reporting standards among listed entities in Nigeria.

The high IFRS implementation index recorded in the financial services sector accords with findings by Nwoye, *et. al.,* (2017) who investigated the IFRS compliance impact and global ranking of Nigerian banks and concluded that the level of compliance of the banks to IFRS disclosure guidelines had significantly improved the acceptability of their financial reporting practices globally. The obvious implication of this collaborative evidence from

the sector is that other regulatory agencies for corporate entities in other sectors should take a que from the Central Bank of Nigeria (CBN), Nigerian Deposit Insurance Corporation (NDIC), the Nigerian Insurance Commission (NIC) for the high financial reporting practices in the sector and step up their enforcement mechanisms over compliance issues by entities in their sectors. In particular, greater surveillance by the Financial Reporting Council of Nigeria (FRCN), and the Securities and Exchange Commission (SEC) over listed entities with low compliance indices in Nigeria is needed to ensure steady improvements in compliance with set standards in line with their statutory mandates.

Again, the comparison of NGAAP-based and IFRS-restated financial statement figures of listed entities in Nigeria provided evidence for resolving the speculations that the adoption of IFRS by economic entities in Nigeria could result to financial statement figures that are materially lower than equivalent figures computed under the NGAAP reporting regime. Six NGAAP-based financial statement figures were compared with their IFRS-restated equivalents and the test results in tables 3 and 4 provide evidence that the significance of the differences between equivalent figures computed using the two financial reporting treatments are not uniform but varied, depending on the accounting numbers under consideration.

Consistent with *a priori* expectation for this work, IFRSs yielded higher profitability figures on ROA and NI than NGAAP. Similar findings had earlier been reported by Nengzih (2015) and Donwa, et al (2015) in Indonesia and Nigeria respectively. Sochima and Iyafesche (2018) also investigated the phenomena with banks in Nigeria and reported that profitability ratios significantly increased under IFRS reporting regime. However, Elosiuba and Okoye (2018) used t-test to analyse data collected from Nigerian banks and concluded that IFRS adoption significantly reduced the profitability of the selected banks. Comparisons on earnings per share (EPS), total assets (TA), book value of equities (BVE) and property, plant and equipment (PPE) indicate that no significant differences exist between equivalent pairs of financial statement figures obtained using the two sets of standards. Although this result is contrary to our *a priori* expectation, it accords with Ironkwe and Oglekwu (2016) who found no significant difference in pre and post IFRS adoption values of EPS of selected companies in Nigeria. The result however is inconsistent with Eluyela, *et. al.,* (2019) and Eriki, *et. al.,* (2017) both of who found

significant difference between pre and post IFRS adoption financial statement figures of SME in Nigeria.

It should be noted that the works of Elosiuba and Okoye (2018) and Eluyele *et. al.,* (2019) whose findings are inconsistent with the result of this study are sector specific, and their results may have been affected by peculiarities associated with those sectors. The present work used enlarged data series that cut across 91% of the economic sectors in Nigeria to yield more robust and reliable results. Accordingly, findings from this study provide better guides for initiating polices for regulating and monitoring the implementation of IFRS by entities across all economic sectors in Nigeria.

Again, results on earnings per share (EPS), total assets (TA), book value of equities (BVE) and property, plant and equipment (PPE) have implications for management of listed entities in Nigeria. EPS is an important index for assessing the proportion of net profit that is attributable to ordinary shareholders, based on the number of shares held. It therefore serves as a major parameter for rating economic entities for investment decisions. IFRS offers management the opportunity to exercise judgment under its fair value principle as against the rule-based approach under NGAAP. From this study, the resulting IFRS-restated financial statement figures on EPS, TA, BVE and PPE are not significantly different from their equivalents under NGAAP as shown in table 4.3. This finding therefore is instructive for management to always scrutinize their financial reporting practices to ensure that while exercising judgment granted under IFRS, the accounting numbers used to calculate these ratios/figures are not unduly sacrificed in the measurement process. Wrong exercise of judgment under IFRS 13 on *Fair Value Measurement*, (including IAS 2 on *Inventory*, IAS 16 on *Property, Plant and Eq*uipment (PPE), IAS 33 on *Earnings Per Share* (EPS) and IAS on *Impairment of Assets*), will affect the resulting accounting figures and reduce investors' ratings for the entities and thereby make the company unattractive to both local and foreign investors. This caution to management to exercise care and professionalism in financial reporting is informed by the evidence from this study which confirms that differences between NGAAP-based financial statement figures and IFRS-restated equivalents are not uniformly significant but varied across financial statement numbers.

Concluding Remarks

Based on the results and tests conducted, the following findings were made:

1. The level of IFRS implementation in Nigeria varies across economic sectors with very high compliance recorded by entities in the financial services sector. Although low implementation indices were reported within the agricultural and construction sectors, compliance levels across all the sectors are generally high.

2. There were observable differences between NGAAP-based financial statement figures and IFRS-restated equivalents among listed entities in Nigeria. However, the paired samples t–test results showed that the observable differences between NGAAP and IFRS equivalents for EPS, TA, BVE and PPE were not statistically significant while the mean differences for ROA and NI were significant.

On the strength of the above findings, the work concludes that remarkable progress has been made by listed entities in Nigeria in complying to the global financial reporting standards and that the transition to the new standard does not have uniform influence/impact on reported financial statement figures of entities in Nigeria. In line with these findings and conclusion, the following specific recommendations are made:

1. Entities in economic sectors with low levels of IFRS adoption should be encouraged and/or persuaded to enhance their compliance to the new standard. The agricultural and construction sector entities in particular need to strengthen compliance through human capacity building opportunities. The Federal government, Financial Reporting Council of Nigeria (FRCN) and other regulatory bodies should provide incentives and enabling environments for business corporations to thrive because mere switch to international best practices does not automatically guarantee continuous future higher corporate performance. For instance, Government may provide IFRS compliance incentives in the form of tax shields for entities that satisfied set implementation targets. Such incentives could be by giving a tax waiver of a certain percentage to companies that adopted and fully implemented the global standard. Penalties for non-compliance or compliance below a certain minimum threshold should be imposed by regulation.

2. The Federal Government, through the FRCN and Securities and Exchange Commission (SEC), should strengthen their data base on IFRS implementation on entities and improve their monitoring and supervisory control mechanisms on IFRS compliance

issues. Evidence from this study tends to support the existence of positive correlation between supervisory role for entities and IFRS implementation level. The high compliance level by the financial services sector, where regular periodic supervision by the monetary authorities has become a major part of the sectors operating and reporting tradition, makes it essential for the government, FRCN and SEC to develop compliance rating and monitoring systems for listed entities in Nigeria. The IFRS Implementation Disclosure Checklist constructed and used for this study should be suitably adapted on all issued IAS/IFRS to serve as an instrument for evaluating compliance to already set standards as well as on compliance to any future reviews on the standards.

3. The constructed IFRS Implementation Disclosure measurement instrument developed in this study should be adapted and used by regulators in determining IFRS implementation indices on each standard and the aggregate index for each firm and sector in Nigeria. Such data base will provide needed information for further research, and serve as input to guide for future amendments in standards targeted at enhancing financial reporting disclosure and accounting quality.

4. There is need to provide sustainable capacity building measures in Nigeria to match new challenges for compliance arising from frequent updates/changes in IFRS. There should be coordinated efforts for ensuring that information on new standards or adjustments to existing ones are widely published and continuous enlightenment campaigns mounted by standard setters and regulatory bodies. Training programmes and workshops should be regularly mounted not only for corporate financial managers, but for educators and researchers in educational institutions to get them acquainted with new rules and principles needed to apply the standards. Governments, professional accountancy bodies, educational institutions, Regulatory bodies and management of corporate entities should be active in sponsoring research and studies in this emerging and dynamic are of accounting. The syllabi of accounting programmes in institutions of higher learning should be urgently and regularly reviewed to align the curricula with current IFRSs in practice. These capacity building measures will enhance sustainability in the knowledge of compliance to IFRSs.

References

Abata, M.A. (2015). The Impact of International Financial Reporting Standards (IFRS) Adoption on Financial Reporting Practice in the Nigerian Banking Sector. *Journal of policy and Development Studies.* 9(2), 169-184.

Abdulkadir, M. (2012). Adopting International Financial Reporting Standards in developing countries. The case of Nigeria. *International Journal of Business and Management.* 7(3), 152-161.

Adejoh, E. and Hasnah, K. (2014). Adoption of IFRS in Nigeria: Concepts and Issues. *Journal of Advanced management science.* 2(1), 72-75

Ahmed, O.R.K (2010). A new institutional analysis of IFRS adoption in Egypt: A case study of loosely coupled rules and routines. *Research in accounting in emerging economies.* 10(1), 1-30

Akinyemi, O.A. (2012). The Impact of International Financial Reporting Standards adoption on financial statements: The case of Nigeria. *Business economics and Tourism.* VAASA University of applied sciences

Ayuba, A. (2012). A proposed rule- Roadmap for the adoption of International Financial Reporting Standards in Nigeria. A research based perspective on FGN, NASB and SEC. *American Journal of Economics.* 41-45

Ball, R. (2006). International Financial Reporting Standards (IFRS) pros and cons for investors. *Accounting and Business Research: International Accounting Policy Forum.*

Donwa, P.A., Mgbame, C.O. & Idemucha, N.G (2015). Effect of IFRS on accounting ratios in Nigeria oil and gas companies (A comparative analysis). *Journal of accounting and financial management* 1(8), 67-76

Elosiuba, J.N. & Okoya, E. (2018). Effects of International Financial Reporting Standards on corporate performance of selected banks listed on Nigerian stock exchange. *Economics series issues.* 10(12), 77-104.

Eluyela, D.F.; Adetula, D.T.; Oladipo, O.; Nwanyi, T.I.; Adegbbola, O.; Ajayi. A. & Falaye, A. (2019). Pre and post adoption of IFRS based financial statement of listed small and medium scale enterprises in Nigeria. *International journal of civil engineering and technology.* 10(1), 1097-1108.

Epstein, B. (2009). The economic effect of IFRS adoption. *The CPA Journal.* 26-31.

Eriki, E; Modebe, N.J; Okoye, L.U. & Erin, O.A (2017). International Financial Reporting Standard (IFRS) Adoption and the Performance of key Financial Ratios: Evidence from Quoted Deposit Money Banks in Nigeria. *Journal of Policy and Development Studies.* 11(2), 40-47.

Gambari, Y. (2010). Issues in the implementation of IFRS *Accounting and Financial Reporting Issues Toronto.* CICA

Ibanichuka, E.A.L. & Asukwo, I.S. (2018). International Financial Reporting Standards Adoption and Financial Performance of Petroleum Marketing Entities in Nigeria. *International Journal of Advanced Academic Research*. 4. (2), 1-15.

Ironkwe, U.I. and Oglekwu, M. (2016). International Financial Reporting Standards (IFRS) and corporate performance of listed companies in Nigeria. *International journal of banking and finance research.*2 (3), 1-13

Katto, J. (2010). Communicating in Africa. Conference proceedings of the 1st African IFRS conference held in Cape Town.

Madawaki, A. (2012). Adopting International Financial Reporting Standards in developing countries. The case of Nigeria. *International Journal of Business and Management*. 7(3), 152-161.

NASB (2010). Report of the committee on the roadmap for the adoption of International Financial Reporting Standards in Nigeria.

Nengzih, O.A. (2015). The adoption of IFRS on profitability rate and tax income: Evidence from companies Listed in Indonesia stock exchange. *Research journal of finance and accounting*. 6 (11), 174-181.

Nwoye, U.J.; Abiahu,M.C.; Obiorah, J. & Ekesiobi,C. (2017). Nigerian banks and global ranking: The IFRS compliance impact. The Nigerian Accountant. SSRN Electronic Journal 50(2) 28-37

Obazee, J.O. (2007). Current convergence efforts in accounting standard setting and financial reporting. Lagos. Nigerian Accounting Standard Board.

Odia, J. and Ogiedu, K.O. (2013). IFRS Adoption: Issues, Challenges and Lessons for Nigeria and other Adopters. *Mediterranean journal of social science*. 4(3), 389-399

Rong-Ruey, D. (2006). Convergence of Taiwan's financial accounting standards with International Financial Reporting Standards: Past, Present and Outlook. *Taiwan Accounting Research and Development foundation.*

Shehata, F.& Nermeen,F. (2014). Theories and determinants of voluntary disclosure. Accounting and finance research. 3(1), 18-26.

Sochima, A.H. & Iyafekhe, C. (2018). Financial ratio and bank efficiency in Nigeria: A non-parametric analysis. *Scientific papers of Silesian University of technology*. 116(1), 80-94

Wallace, R.S.O. & Naser, K. (1995). Firm specific determinants of the comprehensiveness of mandatory disclosure in the corporate annual reports of firms listed on the stock exchange of Hong Kong. Journal of accounting and public policy. 14(1), 311-368

Zayyad, A; Ahmed, B.U.; & Mubaraq, S. (2014). Financial ratios as performance measure: A comparison of IFRS and Nigerian GAAP. *Accounting and Management Information Systems*. 13(1), 82-97.

Appendix 1: Kandall's Coefficient of Concordance (Kendall's) Reliability & Validity Test Results

(a)   Descriptive Statistics of Raters' Scores of IFRSI Instrument

NPar Tests   Descriptive Statistics

Financial Statement Code	No. of Raters	Mean	Std. Deviation	Minimum	Maximum
IFRS -1	5	.773540	.0561383	.7131	.8483
IFRS -2	5	.809720	.0342804	.7539	.8402
IFRS -3	5	.692320	.0239876	.6588	.7243
IFRS -4	5	.710300	.0165330	.6966	.7352
IFRS -5	5	.897940	.0250004	.8677	.9326
IFRS -6	5	.898120	.0191274	.8732	.9216
IFRS -7	5	.663260	.0320481	.6135	.7001
IFRS -8	5	.842940	.0273235	.7978	.8661
IFRS -9	5	.896100	.0239883	.8688	.9263
IFRS -10	5	.756320	.0341487	.7152	.8011
IFRS -11	5	.730940	.0176966	.7112	.7572
IFRS -12	5	.866440	.0127312	.8515	.8832
IFRS -13	5	.903820	.0134953	.8883	.9216
IFRS -14	5	.753660	.0312542	.7014	.7841
IFRS -15	5	.835640	.0214295	.8136	.8647

(b)　Kendall's W Test Results

Ranks

Financial Statement Code	Mean Rank
IFRS -1	6.80
IFRS -2	7.80
IFRS -3	2.40
IFRS -4	3.40
IFRS -5	13.20
IFRS -6	13.60
IFRS -7	1.00
IFRS -8	9.40
IFRS -9	12.80
IFRS -10	5.40
IFRS -11	4.60
IFRS -12	10.80
IFRS -13	14.00
IFRS -14	5.60
IFRS -15	9.20

Test Statistics

N	5
Kendall's W[a]	.913
Chi-Square	63.940
df	14
Asymp. Sig.	.000

a. Kendall's Coefficient of Concordance