
**Effect of International Financial Reporting Standards (IFRS)
Adoption on the Quality of Financial Reporting from the
Perception of Professional Accountant: Evidence from Companies
Listed in Nigeria Stock Exchange**

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Abstract

This study examines the effect of IFRS adoption on the quality of financial reporting of companies listed in NSE. The objectives of this study are to determine whether there is a significant effect of IFRS adoption on the quality of financial reporting of companies listed in NSE, to appraise challenges face by companies in adoption of IFRS in Nigeria. Stratified random sampling was taken in the study whereby data were collected from 55 randomly selected companies covering the major business sectors in Nigeria. Primary data were gathered through a well-structured questionnaire. Descriptive statistics and percentage analysis were performed by using Statistical Package of Social Sciences (SPSS). This study reveals that there is a significant effect of IFRS adoption on the quality of financial reporting companies listed in NSE and moreover it reveals that most of the companies face challenges in adoption of IFRS. Further, the study reveals that IFRS can enhance the acceptability of financial reporting in Nigeria. Based on these findings, it is recommended that Financial Reporting Council of Nigeria should embark upon aggressive awareness campaign to highlight the overriding benefits of IFRS while regulatory agencies, companies, the government and other stakeholders should provide adequate training and support the companies for effective adoption and practice of IFRS in Nigeria. Furthermore, implementation of the standard to its totality by firms should be encouraged and regulatory authorities such as the Securities and Exchange Commission of Nigeria, Financial reporting council of Nigeria and external auditors should monitor strict compliance with adoption of IFRS.

Keywords: *Companies listed in Nigeria stock exchange, International Financial Reporting Standard Adoption, Nigeria GAAP, Quality of Financial Reporting*

1. Introduction

Globalization of capital market and internationalization has become generally accepted. The need for harmonization of financial statements and single set of consistent high-quality financial reporting standard gained wide spread acceptance amongst policies makers, standard setters and preparers. The need for quality and uniformity in preparation and presentation of financial statements initiated International Financial Reporting Standards (IFRS). Before the adoption in Nigeria, there was a legal and regulatory framework of accounting in respect to preparation of financial report in Nigeria. The Company and Allied Matter Act (CAMA'90) prescribe some format and content of company financial statement disclosure requirements and auditing. It is required that the financial statement of all corporate organization comply and adhere with the Statement of Accounting Standards (SAS) issued from time to time by the Nigerian Accounting Standard Board (NASB). Moreover, this requires audit to be carried out in accordance with the General Auditing Standards. Therefore, the adoption of IFRS in Nigeria was launched in September, 2010 by the then Minister of Commerce and Industry. The adoption was organized in such manner that the entire stakeholders prepare and present financial statement by using it at the beginning of 2014. The adoption was made in such a way that all the first-tier companies listed on stock exchange and are of public interest use it by 2012, all other companies of public interest but not first tier are to adopt in 2013 and all small and medium scale entity use it by January, 2014. Financial reporting standard exists because it serves as stewards to the owner of firms as ownership is divorced from controlling activities of the business. The widespread adoption of International Financial Reporting Standards (IFRS) indicated a new era in financial reporting (Taiwo & Adejare, 2014). Considering the relative newness of the presence of International Financial Reporting Standards (IFRS) in Nigeria and other sub Saharan countries from Africa, its adoption has not been taken seriously (Abata, 2015). Ismaila (2010) and it is emphasized that only about 20% out of 54 countries in Africa have adopted IFRSs as a principle, based on financial reporting structure. This conforms their ignorance of benefits that IFRSs can bring to a more transparent and credible financial reporting practice or their unwillingness to be part of the global economy (Abata, 2015). It will be in the interest of the Nigerian economy for the listed companies to adopt globally accepted, high quality accounting standards, by fully converging Nigerian national accounting standards with International Financial Reporting Standards (IFRS) over the earliest possible transition period, given the increasing globalization of capital markets (IFRS Adoption Roadmap Committee, 2010). According to IFRS Adoption Roadmap Committee (2010), Public Listed Entities and Significant Public Interest Entities are expected to adopt the IFRS by January

2012. All other public interest entities are expected to mandatorily adopt IFRS for statutory purposes by January 2013, and Small and Medium-sized Entities (SMEs) will mandatorily adopt IFRS by January 2014. The financial wellbeing of any business entity generally plays a vital role in the wellbeing of stakeholders and the country (Sofia, 2015). In this era of global economic meltdown, there is an urgent need for corporate entities in Nigeria to improve their corporate performance to be and remain relevant in global market (Ironkwe & Oglekwu, 2016). Full compliance to International Financial Reporting Standards (IFRS) plays a vital role in increasing and improving the acceptability and reliability of the instrument used in measuring corporate performance of a given business entity (Ofurum, Egbe & Micah, 2014). The corporate performance has become a paramount concern to shareholders, management, employees, investors, creditors, tax authority, etc. which have different interests in the organization. Their various performance interests immerse in a range from profitability, solvency, and efficiency to capital structure performance (Frank & Alan, 2008). Corporate performance can be measured through analysis and interpretation of the components that make up financial statements.

1.1. International Financial Reporting Standard

International Financial Reporting Standards (IFRS) are a set of accounting standards developed by the International Accounting Standards Board (IASB) that is becoming the global standard for the preparation of public company financial statements. It is an independent variable in this study. The main impetus for the standard setting programme was to reduce the wide variety of accounting practices that companies employed.

Table 1: International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB)

Title	Date issued	Effective Date
IFRS 1 — First-time Adoption of International Financial Reporting Standards	24 Nov 2008	01 Jul 2009
IFRS 10 — Consolidated Financial Statements	12 May 2011	01 Jan 2013
IFRS 11 — Joint Arrangements	12 May 2011	01 Jan 2013
IFRS 12 — Disclosure of Interests in Other Entities	12 May 2011	01 Jan 2013
IFRS 13 — Fair Value Measurement	12 May 2011	01 Jan 2013
IFRS 14 — Regulatory Deferral Accounts	30 Jan 2014	01 Jan 2016
IFRS 15 — Revenue from Contracts with Customers	28 May 2014	01 Jan 2018

Title	Date issued	Effective Date
IFRS 16 — Leases	13 Jan 2016	01 Jan 2019
IFRS 17 — Insurance Contracts	18 May 2017	01 Jan 2021
IFRS 2 — Share-based Payment	19 Feb 2004	01 Jan 2005
IFRS 3 — Business Combinations	10 Jan 2008	01 Jul 2009
IFRS 4 — Insurance Contracts	31 Mar 2004	01 Jan 2005
IFRS 5 — Non-current Assets Held for Sale and Discontinued Operations	31 Mar 2004	01 Jan 2005
IFRS 6 — Exploration for and Evaluation of Mineral Resources	09 Dec 2004	01 Jan 2006
IFRS 7 — Financial Instruments: Disclosures	18 Aug 2005	01 Jan 2007
IFRS 8 — Operating Segments	30 Nov 2006	01 Jan 2009
IFRS 9 — Financial Instruments	24 Jul 2014	01 Jan 2018

Note: The table above lists the most recent version(s) of each pronouncement and the date of each version was originally issued.

It was believed that principles destroyed comparability between the accounts of one business and another and the standard setters is to carry out a careful investigation of existing practices and to identify best practices and try to help those companies employing inferior procedures so as to improve their published reports. This would allow some flexibility and attempt to justify the favored procedure with the argument that it is better to have second rate figures that are comparable than to allow choices to be made. Compliance with accounting standards has also been shown to be an effective defense for auditors faced with accusations of misconduct based on alleged failure to ensure that accounts show a true and fair view.

It is acknowledged that standards fulfil a valuable role in the short run by ensuring that all companies adopt the best procedures currently used, but it is believed in some quarters that they may prove detrimental in the long run. Over the years, considerable improvements have been made in the form and content of published accounts and much of this has occurred as the result of free market experiment and innovation.

1.2. IFRS and Quality of Financial Reporting

The international financial reporting standards may have a number of qualities, one being understandability. This is an essential quality of useful financial information that should be presented in a way that is readily understandable by users.

The users are assumed to have a reasonable knowledge of business, economic activities and accounting and are willing to study information diligently. Relevance is another quality that influences the economic decisions of users. Relevant information fulfils a predictive role or a confirmatory role which are obviously interrelated. For any financial information to be useful, it must also possess the characteristic of reliability. It is judged to be reliable if it is free from material error and bias and can be depended upon by users to represent events and transactions faithfully. This information in financial statements must be completed within the bounds of what can be considered to be material in relation to the cost of producing the information. Comparability as a quality possess two dimensions: one is comparability over entities while the other is comparability over time. The later requires the application of the consistency concept. Therefore users are able to identify trends in its financial position and performance, its presentation and classification of items in the financial statements should remain unchanged from one period to the next, unless a significant change in the nature of the enterprise's operations, or a review of its financial statement presentation demonstrates that the change will result in a more appropriate presentation or classification; or a change in presentation is required by a new or amended accounting standard.

1.3. Problem Statement

The study focused mainly on the effect of IFRS adoption on the quality of financial reporting of listed companies in Nigeria stock exchange. A good number of studies carried out in different countries have highlighted the benefits of having single set of financial reporting standards across the globe in supporting adoption of IFRS globally. Few of those studies had given contradictory views questioning the relevance of IFRS adoption in developing and emerging economies. Companies are not keen in adopting the International financial Reporting Standards (IFRS) due to the obstructions and difficulty in changing from their existing reporting systems to the new one. This could be attributed to the high cost involved, including the cost of retraining their existing staffs in this regard. Part of the problem could be attributed to ignorance on the part of the company owners as to relevance of IFRS to the quality of their financial reporting system. This research aims at determining the effect of International financial Reporting Standards (IFRS) adoption on the quality of financial reporting of the companies listed in Nigeria Stock exchange.

1.4. Research Gap

Many research works have been carried out on IFRS and their adoption, but none of them have covered what this research work intends to cover. Elosiuba & Emma Okoye (2018) carried out research on the effect of International Financial Reporting Standard on corporate performance of selected banks listed in Nigeria stock exchange. Mathew A. Abata (2015) examines the impact of IFRS on financial practices in Nigeria. Muhammad Tanko (2012) examines the effect of IFRS adoption on the performance of firms in Nigeria. Among these studies, none have studied the IFRS adoption of the quality of financial reporting. Therefore, this study will ameliorate the gap by studying the effect of IFRS adoption on the quality of financial reporting evidence from companies listed in Nigeria Stock Exchange and also contribute to the existing body of knowledge on IFRS.

1.5. Research Questions

1. What are the challenges face by companies in the adoption of IFRS in Nigeria?
2. What are the significant effects of IFRS adoption on the quality of financial reporting of companies listed in Nigeria stock exchange?

1.6. Objective of the Study

The primary object of this study is to assess the effect of IFRS adoption on the quality of financial reporting of companies listed in Nigeria stock exchange. while the sub objectives include the following:

1. To Examine the problems of implementing IFRS in Nigeria
2. To evaluate the significant effect of IFRS adoption on the quality of financial reporting of companies listed in Nigeria Stock Exchange.

1.7. Hypotheses of the Study

H1: Company does not face challenges in the adoption of IFRS in Nigeria stock exchange

H2: There is no significant effect of IFRS adoption on the quality of financial reporting of companies listed in Nigeria Stock exchange.

1.8. Significance of the Study

The study of IFRS at Nigeria Stock Exchange is of great value in policy formulation. It is of high importance to the firms listed in Nigeria Stock Exchange. The study will assist the management of capital market authority with information on how to use IFRS as a tool for quality of financial reporting and thus be able to distinguish problems and discover opportunities.

The study will contribute to the existing body of knowledge on IFRS and generate interests among academics, scholars and researchers. It will also form as an in-depth information in terms of literature review and reference point in examining different aspects of IFRS.

2. Literature Review

The decision to adopt IFRS is gaining momentum as more countries embrace the adoption. Generally, it is believed that the adoption arises from the understanding that IFRS is a product with network effect. Iyoha and Jimoh (2011) observe that Network effect is existing where users find a product or service more valuable as additional users use the same product or service. Therefore, it is believed that as many countries adopt IFRS, it becomes more appealing to others that are yet to consider the adoption. Although, a number of challenges have been observed and experienced by countries in their decision to adopt IFRS, its worldwide adoption has been promoted on the premise of its perceived benefits which are considered to outweigh its disadvantages. To review, the adoption of IFRS will be categorized into two; those that are in support of the adoption of the standard and those that oppose the adoption. The former, argue that there are lot of benefits which can be gained from greater cross-country comparability of firms' financial reports. Barth, (2007), for instance, argues that by adopting a common body of international standards, countries can expect to lower the cost of information processing and auditors of financial reports can be expected to become familiar with one common set of international accounting standards than with various local accounting standards. Kunle, Omoruyi and Hamed (2011) posit that adoption of IFRS will foster common benchmark in financial information across international borders with the aim of generating greater momentum for economic development. Deloitte (2010) examined the benefit of the adoption of IFRS on the performance of insurance companies and concluded that there are three building block approaches in adoption of the standard; the probability weighted estimates for future cash flow, discount rate risk adjustment and residual margin for uncertainty. Generally, there is a possibility of future profits that will cover the cost of adoption of the standard. Elosiuba J.N, Emma Okoye (2018) examine the effect of international financial reporting standard on corporate performance of selected banks listed in Nigeria stock exchange and concluded that introductions of IFRS have reduced the profitability of banks but it does not have significant effect on the profitability of the banks in Nigeria. This suggests that the value of the profitability

was lower when reporting by using the IFRS accounting guidelines. IFRS introduction resulted in a negligible fall in bank profit. Therefore, it can be said that financial reports of banks give relatively the same information in both formats: IFRS and GAAP. Hence, the use of IFRS did not disrupt financial position of the banks. Mathew A. Abata (2015) examined the impact of International Financial Reporting Standard on financial reporting practices of corporate establishment in Nigeria found that IFRS will confer greater benefit than the former SAS particularly in the areas of financial statements, cross border listings, merger and acquisitions and ability to raise finance. The adoption and implementation of IFRS will have an impact on the performance of companies and it will enhance best practices of companies. IFRS is also expected to increase the level of compliance with accounting standards. Obiamaka A. Nwobu (2016) examines stock market reaction and the impact of IFRS adoption on Nigerian stock market and found that mixed impact of IFRS adoption on earnings management but a significant decrease in earnings management in post CBN reforms. This study depicts that adoption of IFRS was mistimed in Nigeria as the fragile investors' sentiment which was just recovering from the shock of the global financial crisis could have been weakened by the negative market returns. Rahul K., Ruchir (2014) study reveals that the financial indicators, investment activities and operating activities have been significantly affected by the adoption of IFRS, while financial risks and debt covenants fail to show a statistically significant impact. Suchita Shukla (2015) investigates the impact of IFRS adoption on financial activities of Indian companies by using a sample of ten companies for five years, 2010-11 to 2014-15 study reveals that there is no significant improvement in financial risk, investment activities, operating activities and debt covenant. In other words, there is no significant change in financial activities due to adoption of IFRS. Zayyad A.B, Ahmad B.U & Mubaraq S (2014) examines the effect of IFRS adoption on the performance evaluation of a case firm using some financial ratios selected from four major categories of financial ratios found that IFRS does not show a higher performance in terms of ratios comparison than Nigerian GAAP as none of the ratios has shown either a significant difference, or reasonable levels of significance, between the two ratios under each category. Liu et al (2015) study reveal that accounting quality improved with decreased earnings management and increased value relevance of accounting measures in China since 2007. Omaliko E, Uzodimma & Okpala (2017) examines the effect of the adoption of the International Financial Reporting Standards on the financial performance of money depositing banks in Nigeria and data were collected from published annual reports of the selected big five money deposit banks listed in Nigeria Stock Exchange spanning from 2009 to 2016. A Wilcoxon statistical test tool was explored and study revealed that adoption of IFRS had a significant influence on the financial performance of money depositing banks in Nigeria. And also, IFRS adoption improves consistency in the financial reporting system, therefore lower the growth of performance and the risk associated to it hence ensure a consistent growth. Hector F.P, Julian B.F (2017) assess the impact of the mandatory adoption of the International Financial Reporting Standards (IFRS) on the quality of the financial information available on listed

companies in the UK and France found that the size of firm influences the impact of IFRS in UK, and the financial information of larger firms seems to have improved after IFRS adoption. In the case of France, the results do not support any improvement in the quality of the financial information after IFRS were put together. Woo Jae. L (2019) study reveals that firms report less managed earnings in the post-IFRS period than in the pre-IFRS period. Furthermore, the results suggest an enhancement of financial statement comparability in the post-IFRS period compared to the pre-IFRS period. Barth et al. (2007) and Bartov et al. (2005) argue that there is no conclusive evidence that standards have contributed to improvements in the quality of accounting. Naomi S. Soderstrom, Kev Jialin Sun (2007) reveal that international accounting literature has generally found a positive impact from voluntary adoption of better accounting principles included in IFRS. Muhammad Tanko (2012) examined the effect of International Financial Reporting Standards adoption on the performance of firms in Nigeria and concluded that there was a low variability in earnings in the post adoption period. The use of this measure is based on the fact that less managed earnings show higher variability as opposed to managed earnings where there is a tendency to portray regular predetermined numbers. Situmeang C, Ealina E, & Azhar M (2018) study reveal that IFRS implementation cannot reduce the cost of equity of manufacturing companies in Indonesia. Irina D.P (2015) examined the measuring effect of IFRS adoption on accounting quality has no evidence of accounting quality improvement for firms that are forced to adopt IFRS while voluntary adoption of IFRS is associated with earning management decreased and for its loss of recognition. Asian A.U, Dike A (2015) investigated the differences in the quality of accounting information Pre and post IFRS adoption by manufacturing firms in Nigeria over a five-year period and concluded that IFRS adoption has not improved accounting quality of listed cement and breweries companies in Nigeria. Even the degree of earnings management has not declined in the post-IFRS period. Jaeyon Chu, Kyongsun Heo & Jinhan (2019) study reveal that the beneficial effect of IFRS adoption on analyst forecast errors is observed for firms with moderate corporate governance prior to IFRS adoption, but not for firms with superior or inferior corporate governance. Michael F, Dimitrios (2012) examined the effect of mandatory IFRS adoption on IPO earnings forecasts of Australian IPOs and found that IFRS restricts management's choices to distort accounting figures which in turn results in lower earnings volatility. In the case of forecasts published in IPO prospectuses, this negatively affects the ability of management to meet the predetermined earnings targets as it has fewer options to disguise volatility. Aminu, Musa, & Sunusi (2017) investigate the effect of IFRS adoption on the performance of oil and gas marketing companies in Nigeria and found that IFRS adoption has no significant positive association with oil and gas company's performance (PM, ROA and ROE ratio) in Nigeria.

In addition, Leuz et al. (2003), Holthausen (2009), and Christensen et al. (2011) highlighted the importance of the country's enforcement regime in the application of accounting standards. In sum, the existing evidence indicates that the implementation of a single set of high-quality

accounting standards is only one of many factors that shape the financial information environment. This argument is largely based on the assumption that the application of any set of accounting standards requires the use of managerial discretion as well as the use of private information. However, it is the institutional framework that determines to what extent and how managers use this discretion in the preparation of financial reporting information.

The Federal Government of Nigeria, on 2nd September 2010, officially declares IFRS adoption in Nigeria and initiated the guidelines to be followed for its accomplishment. The consent to IFRS adoption by the Federal Government of Nigeria made the country become an enlisted member of those countries that have adopted IFRS across the globe. The guiding principles to be followed for implementing IFRS are in three consecutive phases. The first phase comprises of Listed and Significant Public Interest Entities that are mandated to prepare and present their audited financial statements in compliance to relevant IFRS by 31st of December 2012. The second phase of IFRS implementation focuses on Public Interest Entities that are authorized to comply with IFRS format for statutory rationale by 31st of December 2013. The third phase, on the other hand, expects all Small and Medium sized Enterprises (SMEs) to mandatorily comply with the adoption of IFRS as statutory reporting by 31st of December 2014 (Uwadiae, 2012). Mousa and Desoky (2014) in a study entitled, *The Value Relevance of IFRS: The Case of the GCC Countries*, examine whether the adoption of IFRS has increased the value relevance of accounting information in one of the Gulf Cooperation Council (GCC) countries, Bahrain. The study uses a sample of 40 listed companies in Bahrain Bourse as one of the emerging markets with a total of 280 year-firm observations. The study makes use of the Ordinary Least Square (OLS) regression analysis. Two models of OLS regression (returns and price models) were utilized. For the stock return model, findings of the study show a slight difference in the value relevance of accounting information after the adoption of IFRS by listed companies in Bahrain Bourse. However, in the price earning model, the findings show some improvement in the value relevance after the adoption of IFRS. Aisbitt (2006) and Cordazzo (2008) showed that IFRS adoption will have a greater impact on net income than on shareholder's equity. Some studies could not identify a clear pattern for increased earnings after IFRS adoption (Jaruga et al., 2007). Barth et al. (2007) and Bartov et al. (2005) argue that there is no conclusive evidence that standards have contributed to improvements in accounting quality. Furthermore, it has been argued that one single set of accounting standards cannot reflect the differences in national business practices arising from differences in institutions and cultures (Armstrong, et al, 2007; Access Bank, 2010).

Adebimpe and Ekwere (2015) studied IFRS Adoption and Value Relevance of Financial Statements of Nigerian Listed Banks. The study empirically examines whether it is or it is not a mandatory adoption of IFRS has improved the value relevance of financial information in the financial statements of commercial banks in Nigeria. Descriptive statistics and least square

regression were conducted to analyze the effect of IFRS adoption on the accounting quality. The result indicates that the equity value and earnings of banks are relatively value and relevant to share prices under IFRS than under the previous Nigerian SAS. Teferi D.A, Pasricha (2015) study IFRS adoption in Ethiopia found that the adoption of IFRS is motivated by both internal and external factors while the demand of professionals, academics and preparers to work with international trends internally and there is an external pressure from global audit firms and other international organizations.

Several literatures have been reviewed in related to this research although the objective of this study is similar to those previous studies, it has been departed in the following ways to address the peculiarities discussed above with a view of coming up with a more valid and reliable outcome on the extent of the effect of IFRS adoption on quality of financial reporting of companies listed in Nigeria Stock Exchange.

2.1. Companies listed in Nigeria Stock Exchange (NSE)

The Nigeria stock exchange (NGSE) is one of the dominant factors influencing the growth of the Nigeria economy. The origin of the NGSE can be traced to the Lagos stock exchange (LSE) which was established in 1960. The LSE began its operation in August 1961 with 19 securities listed for trading but informal operations had commenced earlier in June 1961.

In 1977 the Lagos stock exchange became the Nigeria Stock Exchange. Following this change, the NGSE established several branches in major commercial cities in the country. Currently the NGSE has 176 companies listed on it with a total market capitalization of about N8.5 trillion. In terms of market capitalization, the NGSE is the third largest stock exchange in Africa. The operation of the NGSE is regulated by the securities and exchange commission which helps to forestall breaches of market rules and to deter as well as detect unfair manipulations and trading practices.

The NGSE has classified its listed companies into twelve sectors: Agriculture, Construction/Real estate, Consumer goods, Financial services, HealthCare, Industrial goods, Information and Communication Technology, Natural resources, oil and gas, services, utilities, Conglomerates. The ownership structure of the listed firms in terms of which shares are traded at securities market differs, the shares can be preferential or ordinary shares. An increase in the share price denotes an increase in both a company's value and shareholders's wealth. The NGSE is one of the most developed stock exchanges in African and offers a range of instrument for investors in the equities, bonds and derivatives market. As defined by (wedinger and plats,2012), market capitalization stands as an estimation of the value of a business that is obtained by multiplying the number of shares outstanding by the current price of a share. The

confusion of most investors in the NGSE is the quality of financial reporting of firms that adopt the IFRS and how they relate to their impressive performance in the market. The NGSE had a market capitalization of N28.26trillion, market capitalization over GDP ratio 9.0% as at January 2020.

2.2. Challenges of Implementing IFRS in Nigeria

According to Abdulkadir (2012), the following challenges inherent in the adoption and implementation of the IFRS in Nigeria:

1. Cultural, Political and Business Differences

Armstrong, Bath, Jagolizer and Riedl, (2007) have found that cultural, political and business differences could continue imposing significant obstacles in the progress towards a single global financial communication system because a single set of accounting standards cannot reflect the differences in national business practices arising from differences in institutions and cultures.

2. IASB Funding, Staffing and Governance Structure, Consistent Adoption

Adopters need assurance of IASB true independence with stable funding, expert staffing, and appropriate governance to ensure standards setting process, freedom undue influence and politicization manoeuvres. This will ensure IASB legitimacy and assure the confidence of market participants and adopting nations around the world (Saudagaran, 2006).

3. Dominance of the Developed Countries and Political Lobbying

The developed countries want to dominate the IASB structure and standards setting process to the detriments of the developing countries. There is also strong lobbying and opposition by these groups to IASB's standards (Nobes and Zeff, 2008).

4. Consistent Adoption, Application and Regulatory Review

Daske, Hail, Leuz and Verdi (2007) argued that presently most IFRS adoptions are in labels with various versions which are inconsistent with IASB's prescription (Ball, 2006)

5. Compliance Issues and Enforcement Mechanisms

Cairns (2001) reported that varying levels of compliance with IFRS have emerged from companies that their financial statements conform with the latest financial reporting standards.

6. Cultural and Structural Changes in the various Institutions in a Country

The challenges face in adopting IFRS in terms of changing culture and developing systems of regulation and accountability are quite enormous. There are cultural, language, regulatory and accounting profession challenges as well as demands for greater accountability and wider political participation and embracing of necessary political reforms faced by countries in adopting IFRS.

7. Tax Reporting

The tax considerations associated with the conversion to IFRS, like other aspects of a conversion, are complex. IFRS conversion calls for a detailed review of tax laws and tax administration.

8. Amendment to Existing Laws

In Nigeria, accounting practices are governed by the Companies and Allied Matters Act (CAMA) 1990, and the Statement of Accounting Standards (SAS) issued by the Nigerian Accounting Standards Board (NASB) and other existing laws such as Nigerian Stock Exchange Act 1961, Nigerian Deposit Insurance Act 2006, Banks and Other Financial Institution Act 1991, Investment and Securities Act 2007, Companies Income Tax Act 2004, Federal Inland Revenue Services Act 2007 IFRS Adoption and Performance of Listed Manufacturing Companies' in Nigeria | pp. 85 - 105

9. Accounting Education and Training

One of the principal challenges Nigeria may encounter in the practical implementation process, shall be the shortage of accountants and auditors who are technically competent in implementing IFRS.

10. Size

According to political cost theory, large companies should publish more information than minor ones because they are subjected to more attentive examination by financial analysts and greater demand from the public (Schipper, 2005).

3. Research Methodology

3.1. Research Design

According to Asika (2009), research design means the structuring of investigation aimed at identifying variables and their relationships to one another. This is used for the purpose of obtaining data to enable the researcher to test hypotheses or answer research questions. It also serves as a guide to a researcher through various stages of research. This research studies the effect of IFRS adoption on the quality of financial reporting of companies listed in Nigeria Stock exchange from the perception of professional accountant and managers. The study uses descriptive survey which enables the researcher to obtain sizeable and substantial data from the population. This was conducted through the use of structured questionnaires which is an economical, effective and easy way of obtaining and analyzing data.

3.2. Population and Sample of the Study

The population of the study was all the 176 listed companies in Nigeria stock exchange. Sample size of the study was 55 listed companies in Nigeria stock exchange. The actual respondents involved are directors, finance managers, accountant, and auditor specifically among others. The study focused on a company with their headquarters in Lagos State. The choice of chosen Lagos State as a study area is due to the fact that it is convenient in terms of accessibility and time. Stratified random sampling was used in the study.

3.3. Data Collection

The source of data for this study is primary data. Primary data are data collected using a structured questionnaire and interview. The questionnaire was divided into two parts. The first part was on the background information about the respondent and company listed in Nigeria Stock exchange, while the second part was on IFRS and quality of financial reporting of companies listed in Nigeria Stock exchange. The questionnaire was administered to 165 respondents that was chosen randomly in the major business sector in Nigeria whereby only 130 questionnaires was returned.

The researcher assesses the impact of IFRS adoption on the quality of financial reporting from the perception of professional's accountant through a well structure questionnaire.

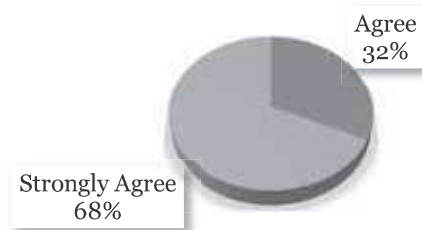
3.4. Data Analysis Technique

Descriptive statistic was used to describe and analyze data through the use of statistical package for social science (SPSS). Hypotheses were tested by using chi square. Percentage analysis was used to determine the extent to which adoption of IFRS will improve the quality of financial reporting of companies listed in Nigeria Stock exchange.

4. Analysis

Analysis of the significant effect of IFRS adoption on the quality of financial reporting of companies listed in Nigeria Stock Exchange

Significant Effect of IFRS Adoption on the Quality of Financial Reporting of Companies Listed in Nigeria Stock Exchange



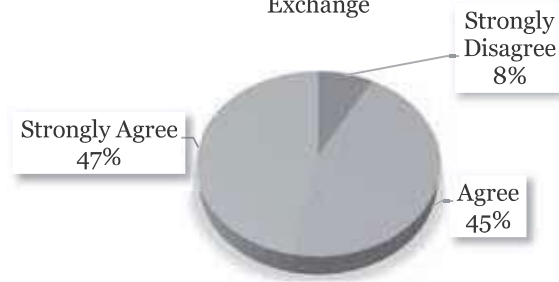
Source: Field Survey, 2020

The above pie chart shows that 68% of the respondents indicate that there is a significant effect of IFRS adoption on the quality of financial reporting of companies listed in Nigeria stock exchange while 32% of the respondent strongly agree there is a significant effect of IFRS adoption on the quality of financial reporting of companies listed in Nigeria stock exchange.

Finally, we can conclude that there is a significant effect of IFRS adoption on the quality of financial reporting of companies listed in Nigeria Stock exchange.

The pie chart given below shows that 8% of the respondents supports the fact that companies did not face challenges in the adoption of IFRS in Nigeria stock exchange while 45% of the respondents agree that companies face challenges in the adoption of IFRS in Nigeria stock exchange. The remaining 47% of the respondents strongly agree that companies face challenges in the adoption of IFRS in Nigeria stock exchange.

Company Face Challenges in The Adoption of IFRS in Nigeria Stock Exchange



Source: Field Survey, 2020

Finally, we can conclude that companies face challenges in the adoption of IFRS in Nigeria Stock exchange.

4.1. Testing of Hypothesis

Hypothesis 01

H1: There is no significant effect of IFRS adoption on the quality of financial reporting of companies listed in Nigeria stock exchange. The hypothesis is test below by using chi square.

Table 2: Chi square Test Statistics

Significant effect of IFRS adoption on the quality of financial reporting of companies listed in Nigeria stock exchange	
Chi-Square	17.723 ^a
df	1
Asymp. Sig.	.000

The significant level is less than 5% which means that there is a significant effect of IFRS adoption on the quality of financial reporting of companies listed in Nigeria stock exchange.

Hypothesis 02

H2: Company does not face challenges in the adoption of IFRS in Nigeria stock exchange. The hypothesis is tested below by using chi square.

Table 3: Chi Square Test Statistics

Company's faces challenges in the adoption of IFRS in Nigeria stock exchange	
Chi-Square	62.138 ^a
df	2
Asymp. Sig.	.000

Source: SPSS Output, 2020

The significant level is less than 5% which means that company faces challenges in the adoption of IFRS in Nigeria Stock exchange.

5. Summary, Conclusion and Recommendation

The importance of the adoption of IFRS as the major financial reporting standard in Nigeria cannot be over emphasized. This is due to enormous benefits derived from adoption by companies in particular in the economy as a whole. Although the adoption of IFRS in Nigeria may not yield all its anticipated benefits but it will help in solving some issues in regards to financial reporting in Nigeria to a large extent. Therefore, it is necessary that some of the challenges associated with its adoption in Nigeria be resolved, so that companies implementing it and the economy as a whole will take profit from IFRS adoption in Nigeria and it will attract foreign investors to invest in the economy of the country which will lead to rapid growth and expansion of industries in the country.

5.1. Recommendations

From the findings in the study, the following recommendations have become demanded;

1. The Financial Reporting Council of Nigeria (FRCN) should embark upon aggressive awareness on the benefits of IFRS adoption in Nigeria.
2. Various stakeholders such as the professional bodies and regulatory agencies should embark upon subsidized training for members within their sectors to increase their awareness, knowledge and applications of IFRS.
3. The regulatory agencies should be provided with the required financial support to carry out their regulatory functions in terms of ensuring that organizations comply strictly with the adoption of IFRS.
4. Companies should also assist to ensure that their staff members get the required training on IFRS adoption for what they stand to gain ultimately.

5. The government on their part should ensure that they provide enabling environment towards ensuring the adoption and practice of IFRS in Nigeria. They can do this by providing the necessary legislative framework for its adoption and practice.

5.2. Future Research

It is recommended that further research should be carried out on this study. Researchers can concentrate on embarking on a comparative analysis in their study. Also, further research can be carried out using large sample size. Thus, Further studies should be done on the application of the adopted standards and how well companies in Nigeria apply these standards. Finally, another area of study recommendable for further investigation would be how small and medium scale enterprises adopt and comply with IFRS in Nigeria in the near future.

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