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Empirical Analysis of The Effect of International Financial Reporting Standard (IFRS) Adoption on Accounting Practices in Nigeria

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ABSTRACT

This study empirically analyses the effect of international financial reporting standards (IFRS) adoption on accounting practices in Nigeria. The study adopted personal interview and questionnaire methods as the major techniques for primary data collection. Data collected were analyzed using both descriptive such as tables, frequencies and percentages and inferential statistics of Chi-square and ANOVA respectively. The study concluded that that there is a strong positive relationship between the adoption of IFRS and financial performance due to cost reduction of an organisation. IFRS adoption improves business efficiency and productivity for effective business performance. The adoption of IFRS saves Multinational Corporations the expense of preparing more than one set of accounts for different national jurisdictions. It is recommended that the financial reporting practice in Nigeria should cut across the public and private sector to bring uniformity in accounting practice regarding annual preparation of financial reports to the owner of companies and other interested parties.

Key words: IFRS; Cost management; Challenges; Financial statement; Performance**.**

BACKGROUND AND INTRODUCTION

The widespread adoption of International Financial Reporting Standards (IFRS) heralded a new era in financial reporting. From 2005 onwards, publicly traded firms in more than 100 countries have been progressively required to prepare consolidated financial statements under IFRS (IASB, 2011). Realization of the anticipated benefits to be derived as a result of the change from national generally accepted accounting principles (GAAP) to IFRS in terms of improved quality of financial reporting is the core motive of the proponents of general adoption of IFRS. Supporters of IFRS adoption argue that benefits will flow from expanded financial statement disclosures, improved measurement and recognition practices, and the narrowing of differences in company reporting arising when a variety of national GAAP is used (Schipper, 2005; Whittington, 2005).The acceptance is also based on the concept of convergence of accounting standards to minimize areas of differences in reporting formats across international borders.

According to Hoti and Nuhiu (2011), The International Accounting Standards Board (IASB), the body that publishes International Financial Reporting Standards (IFRS), was established in

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2001 as a successor to the International Accounting Standards Committee. In 2002 a meeting between IASB and FASB in Norwalk agreed that the two international organizations decided to work towards establishing uniformity between IFRS and U.S. GAAP. A Memorandum of Understanding issued by the two organisations in 2006 stated that the duo would seek convergence by 2008.

Accounting Framework has been shaped by International Financial Reporting Standards (IFRS) to provide for recognition, measurement, presentation and disclosure requirements relating to transactions and events that are reflected in the financial statements. IFRS was developed in the year 2001 by the International Accounting Standard Board (IASB) in the public interest to provide a single set of high quality, understandable and uniform accounting standards. Users of financial statement worldwide require sound understanding of financial statement but this can only be made possible based on Generally Accepted Accounting Practice (GAAP). With globalization of finance gaining ground, convergence with IFRS will enable the world to exchange financial information in a meaningful and trustworthy manner (Ikpefan and Akande 2012).

International Financial Reporting Standards adoption by Nigeria at this time is in phases, however, IFRS remains as a standard with high quality accounting reporting framework. Thus, the users of financial statements can easily compare the entity's financial information between countries in different parts of the world. Implications of adopting IFRS means adopting a global financial reporting language that would create a company globally understood financial statement.

Statement of the problem

As evident from the foregoing, 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 the adoption of IFRS globally. Few of the studies had given contradictory views questioning the relevance of IFRS adoption in developing and emerging economies. The effect of the adoption of IFRS on taxation has also been examined but the effect on the financial statement and cost management has not been empirically investigated thereby creating a research gap in this area which this paper intends to fill.

Objectives

The main objective of this paper is to examine the impact of IFRS on accounting practices. Other specific objectives are:

- To evaluate the impact of adopting IFRS on the published financial statements.
- To investigate the benefits and challenges of implementing IFRS in Nigeria
- To examine the effect of adoption of IFRS on cost management.

Research Hypotheses

These hypotheses are to be tested in this study.

Ho_1 -There is no significant relationship between adoption of IFRS and financial statement reporting format.

Ho_2 - There is no significant relationship between adoption of IFRS and cost reduction.

LITERATURE REVIEW

IFRS represent a single set of high quality, globally accepted accounting standards that can enhance comparability of financial reporting across the globe. This increased comparability of financial information could result in better investment decisions and ensure a more optimal

allocation of resources across the global economy (Jacob and Madu, 2009). Cai and Wong (2010) conjectured that having a single set of internationally acceptable financial reporting standards will eliminate the need for restatement of financial statements, yet ensure accounting diversity among countries, thus facilitating cross-border movement of capital and greater integration of the global financial markets. Meeks and Swann (2009) revealed that firms adopting IFRS exhibited higher accounting quality in the post-adoption period than in the pre-adoption period. In a study of financial data of firms covering 21 countries, Barth (2008), confirmed that firms applying IAS/IFRS experienced an improvement in accounting quality between the pre-adoption and post-adoption periods. Latridis (2010), concluded on the basis of data collected from firms listed on the London Stock Exchange that IFRS implementation has favorably affected the financial performance (measured by profitability and growth potentials).IFRS compliant financial statements has the tendency to make comparability and company performance assessment across nations easier and result of such assessment more acceptable by stakeholders and highly reliable.

Marjan Petreski (2006) described the impact of IFRS adoption on the financial statements for the company and its influence on decision making by the management. This study used credible and comparable attitude as independent variables. Interview test instrument was used. The results showed that, information disclosure on financial statements was full and credible and comparability of financial statements across nations resulted in better decision making by management. The adoption of IFRS leads to a more restricted set of accounting measurement methods and, with fewer measurement rules to deal with, analysts can more easily master the existing set (Ashbaugh and Pincus, 2001). Tan et al. (2011) confirmed this result and found that mandatory IFRS adoption improves foreign analysts' attraction and forecast accuracy, particularly those from countries that are simultaneously adopting IFRS along with the covered firm's country, and those with prior IFRS experience. Proponents of accounting harmonization believe that comparability of financial statements worldwide is necessary for the globalization of capital markets. They suggest that there are many potential benefits that may arise from the use of one common set of accounting standards throughout the world. These include improved transparency, comparability and quality of financial reporting that lead to lower preparation cost, more efficient investment decisions and lower cost of capital for companies (Choi & Meek, 2005).

Street and Gray (2001) examined the 1998 financial statements for 279 firms that referred to use of IFRS in their financial statements. The study revealed that, in many cases, disclosed accounting policies were inconsistent with IFRS. Schultz and Lopez (2001) suggest that uniform international accounting standards may not result in de facto uniformity among nations, particularly when the standards allow for significant discretion (ambiguity). Various accounting items exhibit high-value relevance in common law countries that have effective judicial systems, better investor protection, and higher quality of accounting practices (including more transparent reporting) and auditing systems compared with code law countries. It is expected that the smaller the deviation of a domestic practice from the IFRS, the higher the value relevance of that practice. In a study on financial data of public listed companies in 15 member states of the European Union (EU) before and after full adoption of IFRS in 2005, Chai at al (2010), found that majority of accounting quality indicators improved after IFRS adoption in the EU. According to Jones and Ratnatunga (1997), larger firms report to a greater concentration of external users who can influence the allocation of scarce resources. Given that financial statements have greater economic consequences for larger firms, larger firms are expected to be more susceptible to the financial reporting impacts of IFRS.

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Spiceland et al., (2001) brought out that useful accounting information derived from qualitative financial reports help in efficient allocation of resources by reducing dissemination of information asymmetry and improving pricing of securities. According to Barth (2007), the adoption of a common body of international standards is expected to have the following benefits: lower the cost of financial information processing and auditing to capital market participants as users, familiarity with one common set of international accounting standards instead of various local accounting standards by Accountants and Auditors of financial reports, comparability and uniformity of financial statements among companies and countries making the work of investment analysts easy, attraction of foreign investors in addition to general capital market liberalization. The adoption of uniform standards cut the costs of doing business across borders by reducing the need for supplementary information. They make information more comparable, thereby enhancing evaluation and analysis by users of financial statements (Adekoye, 2011). Cai & Wong (2010), in a study of global capital markets demonstrated that capital markets of countries that had adopted IFRS recorded high degree of integration among them after their IFRS adoption compared with the period before adoption.

Adoption of IFRS in Nigeria

The quality of financial reporting is indispensable to the need of users who requires them for investment and other decision making purposes. Financial reports can only be regarded as useful if it represents the "economic substance" of an organization in terms of relevance, reliability, comparability and aids interpretation simplicity (Kenneth 2012). Before IFRS adoption era, most countries had their own standards with local bodies responsible for developing and issuance. The Nigerian Accounting Standards Board (NASB) was responsible for developing and issuing standards known as Statements of Accounting Standards (SAS) and in the new dispensation, the body was renamed Financial Reporting Council (FRC) of Nigeria as the regulatory body overseeing the adoption and implementation IFRS (Kenneth 2012). As a result of increasing globalization resulting in more competition, it becomes imperative that countries and companies alike address issues that will make them become more attractive of investors capital which is like the proverbial beautiful bride (Essien-Akpan, 2011). The introduction of an acceptable global high quality financial reporting standards was initiated in 1973 when the international accounting standard committee (IASC) was formed by 16 professional bodies from different countries such as United States of America, United Kingdom, France, Canada, Germany, Australia, Japan, Netherlands and Mexico (Garuba and Donwa, 2011). According to Ezeani and Oladele (2012), this body was properly recognized in 2001and later transformed into the International Accounting Standards Board (IASB) which developed accounting standards and related interpretations jointly referred to as the International Financial Reporting Standards (IFRS).

On Wednesday, 28 July 2010, the Nigerian Federal Executive Council accepted the recommendation of the Committee on the Roadmap to the Adoption of IFRS in Nigeria, that it would be in the interest of the Nigerian economy for reporting entities in Nigeria to adopt globally accepted, high-quality accounting standards by fully adopting the International Financial Reporting Standards (IFRS) in a Phased Transition (FIRS 2013). In December 2010, following the approval of the Federal Executive Council, the Nigerian Accounting Standards Board (NASB), (now designated as Financial Reporting Council of Nigeria (FRCN)) issued an implementation roadmap for Nigerian's adoption of IFRS which set a January 2012 date for compliance for publicly quoted companies and banks in Nigeria. According to FIRS (2013), the Central Bank of Nigeria (CBN) and the Securities and Exchange Commission also adopted this date for compliance and has issued guidance compliance circulars to ensure full implementation of IFRS in Nigeria. The Council further directed the Nigerian Accounting

Standards Board (NASB), under the supervision of the Nigerian Federal Ministry of Commerce and Industry, to take necessary actions to give effect to the Council's approval. Section 55 (1) of the Companies Income Tax Act, Cap C21, LFN 2004 requires a company filing a return to submit its audited account to the Federal Internal Revenue Service (FIRS) while Sections 8, 52 and 53 of the Financial Reporting Council of Nigeria Act, 2011 gave effect to the adoption of International Financial Reporting Standards. This implies that the audited accounts to be submitted to the FIRS after the adoption of International Financial Reporting Standards shall be prepared in compliance with Standards issued by IFRS. As part of plans to meet international standards, the Federal Government has disclosed that new accounting system, the international financial reporting standard (IFRS) should take off in Nigeria on 1st January, 2012. In Nigeria, the government has taken its stand to involve all stake holders including institutions before it finally decided to adopt the IFRS on a gradual basis. IFRS for SMEs is to be mandatorily adopted as at January 1, 2014. This means that all Small and Medium-sized Entities in Nigeria have been statutorily required to issue IFRS based financial statements for the year ended December 31, 2014. Entities that do not meet the IFRS for SME's criteria shall report using Small and Medium-sized Entities Guidelines on Accounting (SMEGA) Level 3 issued by the United Nations Conference on Trade and Development (UNCTAD). The implementation of IFRS would reduce information irregularity and strengthens the communication link between all stakeholders (Bushman and Smith, 2001). It also reduces the cost of preparing different version of financial statements where an organization is a multi-national (Healy and Palepu, 2001).

Benefits of Adopting IFRS

According to Ikpefan and Akande (2012), listed companies have a lot of benefits to derive from conversion to IFRS. Companies do not operate in isolation. Therefore, in the present global environment, compliance with foreign reporting requirements will help streamline their financial reporting. They pointed further that the following benefits are to be derived from IFRS:

- This will help minimize reporting costs as a result of common reporting systems and consistency in statutory reporting.
- Secondly, it will enable comparison/benchmarking with foreign competitors possible. Besides, adoption of IFRS may offer companies an edge over competitors in the eyes of users.
- Thirdly, since the adoption of IFRS will transcend national boundaries/cross border, acquisitions and joint venture will be made possible and there will also be easy access to foreign capital.
- Fourthly, companies can trade their shares and securities on stock exchanges worldwide.
- Fifthly, convergence of financial statements would provide a platform for management to view all companies in a group on a common platform.

They said further that time and efforts will reduce to adjust the accounts in order to comply with the requirements of the national Generally Accepted Accounting Principles (GAPP). Business acquisition would be reflected at fair value than at the carrying values. There will be more objectivity and transparency in financial statements. For companies to key into these benefits, a single set of accounting standards worldwide would ensure that auditing firms standardize their training and quality of work that they maintain globally.

Meeks and Swann (2009) revealed that firms adopting IFRS had exhibited higher accounting quality in the post-adoption period than they did in the pre-adoption period. In a study of financial data of firms covering 21 countries, Barth (2008), confirmed that firms applying

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IAS/IFRS experienced an improvement in accounting quality between the pre-adoption and post-adoption periods. Latridis (2010), concluded on the basis of data collected from firms listed on the London Stock Exchange that IFRS implementation has favorably affected the financial performance (measured by profitability and growth potentials). Esptein (2009), emphasized the fact that universal financial reporting standards will increase market liquidity, decrease transaction costs for investors, lower cost of capital and facilitate international capital formation and flows. Various studies conducted on the adoption of IFRS at country level indicated that countries that adopted IFRS experienced huge increases in direct foreign investment (DFI) flows across countries (Irvine and Lucas, 2006). Cai & Wong (2010),in a study of global capital markets demonstrated that capital markets of countries that had adopted IFRS recorded high degree of integration among them after their IFRS adoption compared with the period before adoption. According to Kenneth (2012), some additional benefits foreseen from the transition are: companies can follow one set of accounting standards instead of two, comparability of financial statements will increase for investors all around the world, and companies will have the ability to offshore their accounting work. In terms of staffing, although many companies will have to hire new employees, there are also a lot of benefits. Companies can standardize training of employees around the globe, there will be an equality and standardization among entry level staff from educational facilities around the world and companies will have the ability to perform international staff transfers.

Challenges to IFRS Implementation in Nigeria

According to Abdulkadir (2012), the following are the challenges in implementing the IFRS:

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. Usually, the time lag between decision date and the actual implementation date is not sufficiently long to train a good number of professionals who could competently apply international standards.

Training Resources

Training materials on IFRS are not readily available at affordable costs in Nigeria to train such a large group which poses a great challenge to IFRS adoption.

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.

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. All these provide some guidelines on preparation of financial statements in Nigeria. IFRS does not recognize the presence of these laws and the accountants have to follow the IFRS fully with no overriding provisions from these laws. Nigerian law makers have to make necessary amendments to ensure a smooth transition to IFRS.

According to Bewaji (2012), the following are the major challenges to implementing IFRS:

- Current systems may not have the functionality to handle IFRS requirements hence, changes in financial information requirements due to IFRS should be identified and the impact of these requirements on the existing data models should be assessed.
- Changes in accounting policies and financial reporting processes can also have a significant impact on a company's financial systems and reporting infrastructure.
- These changes may require some adjustments to financial reporting systems, existing interfaces, and underlying databases to incorporate specific data to support IFRS reporting.
- Executives will need to collaborate with their IT counterparts to review systems implications of IFRS.
- The conversion to IFRS can also result in changes to the number of consolidated entities, mapping structures and financial statement reporting formats, all of which will require adjustments to the consolidation system.

METHODOLOGY

Research Design

A combination of descriptive and cross sectional research designs were considered to be the most appropriate. This enabled the researcher to collect as many options as possible from the respondents.

Study Population.

The population comprised of 172 professionals in accounting and finance sections across companies selected and registered as group companies, public limited companies, small and medium sized companies and non-profit making organizations with identification numbers in Lagos state. Lagos state was selected being the commercial nerve centre of Nigeria and the home of headquarters and operational centres of most companies in Nigeria.

Sampling Method and Size

The simple stratified random sampling technique incorporated with the Slovin formula provided below as used in Asaolu and Argozie (2012) is adopted due to the technical nature of the information to be derived from the respondents:

$$n = \frac{N}{1 + Ne2}$$

Where: n=Sample size
N=Population size
e= Margin of error

Applying the desired error margin of 5% on the population of 171 professionals under study, 120 respondents were selected.

Stratified sampling was used to determine the sample size. Respondents were grouped in strata. Purposive sampling was used in each stratum to get the information from Group companies, public limited companies, small and medium sized companies and non-profit making organizations across the different organizations. Simple random sampling was used to limit the biasness of purposive sampling.

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Method of data collection

To achieve the objectives of the study, a descriptive design such as personal interviews and questionnaire were employed as the major techniques for primary data collection. 120 questionnaires were distributed to get the information from Group companies, public limited companies, small and medium sized companies and non-profit making organizations across the different organizations. In addition, information was also obtained from books, magazines, journals, research works and even from the internet.

DATA ANALYSIS

Data collected were analyzed using both the qualitative and quantitative methods. The analytical tools used in analyzing the data collected for the study include descriptive statistics, chi- square and analysis of variance (ANOVA). The descriptive statistics used were tables, percentages. Chi-square and analysis of variance (ANOVA were used to test the hypothesis formulated through STATA 10 version. The formulae for chi-square used is

$$X^2 = \sum^{k} \left(\frac{Oi - ei}{ei} \right)$$

Where i=1, Oi = observed frequency, ei= expected frequency.
The degree of freedom= (r-1) (k-1)

Table 1- Distribution of responses on the International Financial Reporting Standard adoption on Accounting and Auditing practices in Nigeria

S/N	QUESTIONS	SA	A	N	D	SD	TOTAL
1	Easy preparation of financial statement	10 (8.33)	21 (17.50)	04 (3.33)	35 (29.17)	50 (41.67)	120 (100)
2	Quality of the financial statement report	21 16.67	74 (62.50)	08 (6.67)	12 (10.00)	05 (4.17)	120 (100)
3	Easy access to offshore capital	20 (16.67)	60 (50.00)	09 (7.50)	24 (20.00)	07 (5.83)	120 (100)
4	Easy comparability of financial statements of two or more companies' worldwide	69 (57.50)	32 (26.67)	00 (00)	06 (5.00)	13 (10.83)	120 (100)
5	Effect on Competition in the Accounting Market	08 (6.67)	82 (68.33)	05 (4.17)	09 (7.50)	16 (13.33)	120 (100)
6	Administrative cost of accessing the capital markets is reduced for companies globally	29 (24.17)	61 (50.83)	14 (11.67)	04 (3.33)	12 (10.00)	120 (100)
7	Companies trade their shares and securities on stock exchanges worldwide with minimal cost	52 (43.33)	49 (40.83)	00 (00)	05 (4.17)	14 (11.67)	120 (100)
8	Minimizing reporting costs as a result of common reporting systems and consistency in statutory reporting.	33 (27.50)	58 (48.33)	03 (2.50)	08 (6.67)	18 (15.00)	120 (100)
9	Reduction in earnings management cost	13 (10.83)	72 (60.00)	20 (16.67)	10 (8.33)	05 (4.17)	120 (100)

Note: - The bracket figures indicate the percentage and figures without bracket indicate frequency.
Source: - author's field survey (2013).

From table 1 above, 8.33% of the respondents strongly agreed that adoption of IFRS brings along easy preparation of financial statement, 17.50% agreed, 3.33% were indifferent, 29.17% disagreed, and 50% strongly disagreed. This indicates that adoption of IFRS brings complexity

in financial statements preparation. This is as a result of more disclosures that are required in financial statements that are IFRS compliant. Furthermore, 16.67% of the respondents strongly agreed that IFRS leads to improved quality of the financial statement report, 62.50% agreed, 6.67% were indifferent while 10% disagreed and 4.17% strongly disagreed. The implication of this is that adoption of IFRS improves the quality of financial statement report format.

In addition, 16.67% of the respondents strongly agreed that adoption of IFRS provide easy access to offshore capital, 50% agreed, 7.50% were indifferent, 20. % disagreed, and 5.83% strongly disagreed. The implication of this result is that adoption of IFRS provides easy access to off shore capital due to easy assessment of financial report across borders.

The result showed that 57.50% of the respondents strongly agreed that there is easy comparability of financial statements between companies worldwide, 26.67% agreed, 5 % disagreed, and 10.83% strongly disagreed. The implication of this result is that easy comparability of financial statements of two or more companies across borders is possible with IFRS adoption Compliance with these standards provide the necessary impetus to compare and contrast companies in different continents of the world which makes them more valuable for decision making by management.

The result further showed that 6.67% of the respondents strongly agreed that adoption of IFRS brings positive effect on Competition in the Accounting Market, 68.33% agreed, 4.17% were indifferent, 7.50% disagreed and 13.33% strongly disagreed. With this result, IFRS adoption encourages positive competition in the accounting market.

In addition, 24.17% of the respondents strongly agreed that adoption of IFRS reduces the administrative cost of accessing the capital markets for companies globally, 50.83% agreed, 11.67% were indifferent, 3.33% disagreed and 10.00% strongly disagreed. This implies that the respondents were of the opinion that adoption of IFRS has the tendency to reduce administrative cost of companies' access to offshore capital.

The result indicated that 43.33% of the respondents strongly agreed that with the adoption of IFRS, companies trade their shares and securities on stock exchanges worldwide with reduced cost, 40.83% agreed, 4.17% disagreed and 11.67% strongly disagreed. The implication of this result is that adoption of IFRS enhances company's profitability as a result of the reduced cost of share trading.

From the result in table 1 above, 27.50% of the respondents strongly agreed that adoption of IFRS minimize reporting costs as a result of common reporting systems and consistency in statutory reporting, 48.33% agreed, 2.50% were indifferent, 6.67% disagreed, and 15% strongly disagreed. This indicates that with adoption of IFRS in organisation, reporting costs are minimized as a result of common reporting systems and consistency in statutory reporting. Finally, 10.83% of the respondents strongly agreed that adoption of IFRS and strong enforcement reduce earnings management cost, 60% agreed, 16.67% were indifferent, 8.33% disagreed, and 4.17% strongly disagreed. The implication of this result is that adoption of IFRS and its strong enforcement reduces earnings management cost.

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Test of Hypotheses

Hypothesis 1

Table 2- Analysis of the significant relationship between adoption of IFRS and financial statement report format.

S/N	Relationship	Pearson chi-square	Pr (value)	Remark
1	Q1 vs Q2	174.8517	0.000	Significant
2	Q1 vs Q3	202.0476	0.000	Significant
3	Q1 vs Q4	184.8606	0.000	Significant
4	Q1 vs Q5	292.5371	0.000	Significant
5	Q2 vs Q3	159.7717	0.000	Significant
6	Q2 vs Q4	153.1123	0.000	Significant
7	Q2 vs Q5	196.9316	0.000	Significant
8	Q3 vs Q4	263.0491	0.000	Significant
9	Q3 vs Q5	267.8038	0.000	Significant
1 0	Q4 vs Q5	264.6257	0.000	Significant

Source: Computations and output of STATA 10 based on author's field survey (2013).

Decision : From table 2, minimum pearson chi-square calculated(x^2 – cal) is 153.1123 and the maximum pearson chi-square calculated is 292.5371. Chi – square tabulated (x^2 – tab) is 37.566 at 0.01 level of significance. Since (x^2 – cal) are greater than (x^2 – tab) which makes all the figures to be highly significant with probability of Pr(value) equal to 0.000. collectively, the null hypothesis is rejected. Therefore the alternative hypothesis is accepted. Hence, there is significant relationship between adoption of IFRS and financial statement report format.

Table 3-Relationship between Adoption of IFRS and Financial statement report format by ANOVA

Source	SS	Df	MS	F	Prob > F
Between groups	153.088333	4	38.2720833	95.88	0.0000
Within groups	45.9033333	115	.39915942		
Total	**198.991667**	**119**	**1.67219888**	Number of obs = 155	
Bartlett's test for equal variances:		**chi2(1) = 2.3546**		**Prob>chi2 = 0.125**	

Source : ANOVA using STATA 10

To further confirm the significant relationship between adoption of IFRS and financial statement report format by the outcome of Chi-square stated above, the analysis of variance (ANOVA) was also employed. The Table 3 above showed the relationship between adoption of IFRS and financial statement report format using single factor ANOVA. Analysis of the data showed that, since calculated F value of (95.88) is greater than critical F value (tabulated value) which is 4.35, the null hypothesis is rejected while the alternative hypothesis is accepted, hence there is significant relationship between adoption of IFRS and financial statement report format.

Hypothesis 2

Decision: From table 4 on next page, minimum pearson chi-square calculated(x^2 – cal) is 156.6509 and the maximum pearson chi-square calculated is 265.9511. Chi – square tabulated (x^2 – tab) is 30.578 at 0.01 level of significance. Since (x^2 – cal) are greater than (x^2 – tab) which makes all the figures to be highly significant with probability of Pr(value) equal to 0.000. collectively, the null hypothesis is rejected while the alternative hypothesis is accepted.Hence, there is significant relationship between adoption of IFRS and cost reduction.

Table 4- Analysis of Significance of relationship between Adoption of IFRS on cost management.

S/N	Relationship	Pearson chi-square	Pr (value)	Remark
1	Q6 vs Q7	156.6509	0.000	Significant
2	Q6 vs Q8	158.7082	0.000	Significant
3	Q6 vs Q9	168.9216	0.000	Significant
4	Q7 vs Q8	193.3854	0.000	Significant
5	Q7 vs Q9	265.9511	0.000	Significant
6	Q8 vs Q9	197.9000	0.000	Significant

Source: Computations and output of STATA 10 based on author's field survey (2013).

Table 5-Relationship between Adoption of IFRS and Cost management by ANOVA

<table>
<tr><th>Source</th><th>SS</th><th>Df</th><th>MS</th><th>F</th><th>Prob > F</th></tr>
<tr><td>Between groups</td><td>82.264124</td><td>4</td><td>20.566031</td><td rowspan="2">112.43</td><td rowspan="2">0.0000</td></tr>
<tr><td>Within groups</td><td>21.035876</td><td>115</td><td>.182920661</td></tr>
<tr><td>Total</td><td>103.3</td><td>119</td><td>.868067227</td><td colspan="2">Number of obs = 155</td></tr>
<tr><td colspan="2">Bartlett's test for equal variances:</td><td colspan="2">chi2(1) = 20.9244</td><td colspan="2">Prob>chi2 = 0.000</td></tr>
</table>

Source : ANOVA using STATA 10

To authenticate the relationship between adoption of IFRS and cost reduction by the outcome of Chi-square stated above, the analysis of variance (ANOVA) was also employed. The Table 5 above showed the relationship between adoption of IFRS and cost reduction. For analysis, single factor ANOVA was used to test the relationship between adoption of IFRS and cost reduction. Analysis of the data shows that, since calculated F value (112.43) is greater than critical F value (tabulated value) which is 4.54, the null hypothesis is rejected while alternative hypothesis is accepted, hence there is significant relationship between adoption of IFRS and cost reduction.

SUMMARY AND CONCLUSION

This study empirically analyses the effect of international financial reporting standard (IFRS) adoption on accounting practices in Nigeria. Findings showed that there is a strong positive relationship between the adoption of IFRS and financial statement report format.

The empirical findings shows that adoption of IFRS affects performance of business organisation efficiently and effectively. Findings also showed that there is a strong positive relationship between the adoption of IFRS and cost reduction. This indicates that the adoption of IFRS reduce earnings management cost, saves companies the expense of preparing more than one set of accounts for different national jurisdictions. IFRS also reduces the cost of preparing different version of financial statements where an organization is a group of companies or multi-national. According to the study, the big accounting firms also benefit in their efforts to expand the global market for their services. Application of International Financial Reporting Standards has helped developing countries like Nigeria gain legitimacy and acknowledgement. In addition, Adoption of and compliance with these standards provide the ability to compare and contrast companies on different continents of the world. In conclusion, adoption of IFRS would enhance financial performance and proper accounting records. Accounting records keeping increase the chances of the business operating profitably and provide information for proper assessment of company performance. IFRS also help in improving business efficiency and productivity. Adoption of IFRS assists in resource allocation and performance planning in organisation. Resource allocation does not depend only on record keeping but also involves appraising the viability of the business to be undertaken through capital rationing to effectively allocate the resources. Firms that adopt IFRS show evidence of

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higher accounting quality in the post-adoption period than the pre-adoption period. This conclusion strengthened the view of Meeks and Swann (2009).

Policy Recommendations

Based on the findings of this study, the following recommendations are hereby suggested

- International Financial reporting standard practice in both public and private sector in Nigeria has not been actively implemented, therefore, IFRS practice in Nigeria should cut across the public and private sector to bring uniformity in accounting practice regarding annual preparation of financial reports to the owner of companies and other interested parties.
- For accounting information and policies to be relevant and communication effective, it must be timely. The need for effective policies is strengthened because a decision's use of accounting data may change overtime as a result of his changing perception concerning the relevance of the data.
- The owners and managers of organisation should be made to embrace the adoption of IFRS practices in accordance with the roadmap for implementation for effective financial performance in their business. The financial reporting council, as a main control and regulatory authority for IFRS compliance in Nigeria should be strengthened and be made independent. The government should develop an efficient approach to integrate IFRS considerations into all potential business transformation initiatives in Nigeria.

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