Impact of IFRS on Financial Reporting Practices in Nigeria  
(*A case of KPMG*)

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**Abstract**

The study examined the impact of International Financial Reporting Standard (IFRS) on financial reporting practices of corporate establishments in Nigeria. Data were collected from 50 employees of KPMG (a leading professional financial services provider) through the use of structured questionnaire and analysed using mean scores, standard deviation and Pearson Chi-square analysis. The findings revealed that IFRS provides better information for regulators than GAAP (mean = 4.72). The finding further showed that IFRS directly affects how earnings and other key aspect of the business are accounted and reported for (mean = 4.68). However, the results of the study showed that changes in business processes and operations, financial position of companies and reduction in cost of finance were the least contributions of IFRS to financial reporting practices of KPMG. The results of Pearson Chi-square analysis showed that financial reports prepared under IFRS enhanced best practices in a corporate organization (Pearson Chi-Square = 37.857); financial statements prepared in line with IFRS provides greater benefits than the former GAAP (SAS) (Pearson Chi-Square = 75.763); the compliance with IFRS promotes cross border investment and access to (Pearson Chi-Square = 63.128); and compliance with IFRS will relatively improve the performance of companies (Pearson Chi-Square = 20.417). The study therefore recommended that regulatory body should embarked upon enlightenment campaigns on the potential impacts of adopting IFRS in Nigeria. It also point out that government should support the Nigeria’s adoption of IFRS especially in the area of enforcement to compliance as a matter of urgency to enable full attainment of the country’s economic potential.

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**Keywords:** IFRS; compliance; reporting practices; IFRS challenges
1. Introduction

Considering the relative newness of the presence of IFRS in Nigeria and other sub-Saharan Africa, its adoption has not been taken seriously. Thus only about 20% of the 54 countries in Africa have adopted IFRSs as a principle based financial reporting framework (Ismaila, 2010). This conforms their ignorance of the benefits which IFRSs can bring to a more transparent and credible financial reporting practice or their unwillingness to be part of the global economy.

Consequently, accurate comparison may not be possible between those financial statements prepared under IFRS framework and those complied only with our local standard. Furthermore non-compliance with IFRS legal and professional framework may portend a greater challenge for companies especially banks performance and position as they might not be able to partake in the new and emerging business opportunity. Finally cross border investments and access to international market may be hindered as a result of non-compliance with IFRS (Barry, 2002) and the poor method of calculating the new introduced financial standard by financial reporting practice in Nigeria.

Most studies on IFRS have concentrated on it as a financial reporting issue. But financial reporting is one aspect of the total impact of IFRS composition. Much more significant is the impact of a set of standards on a company’s organisation, philosophy, business structure compliance to the standards, performance management, and internal control and so on. The objective of the study is to examine whether financial reports prepared in compliance with IFRS legal and professional framework enhances best practice in corporate organization.

2. Literature Review

International Financial Reporting Standard (IFRS) are standards, interpretation and the framework adopted by International Accounting Standards Board; International Financial Reporting Standards are products of private sector initiatives towards the harmonization and internationalization of financial reporting in response to the demands of business globalization and regional convergence. The International Accounting Standards Committee (IASC) is a body of professional accounting bodies of independent countries, formed in June 1973 by the International Federation Of Accounting, produced the first set of international standards known as the International Accounting Standard (IAS) between 1973 and 2001, (Benson 1976). The IASB after the change in 2007 from IASC published its standard in a series of pronouncements called the International Financial Reporting Standards (IFRS). The IASB also adopted the body of standards issued by IASC, and those standards continue to be designated “International Accounting Standards (IAS)”. 

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IFRS are a single set of high quality, understandable standards for general purpose financial reporting which are principles-based in contrast to the rule based approach. IFRS comprise of four types of documents, viz: IAS (41); IFRSs (18); the Standing Interpretation Committee Statements, SICS (II); and the International Financial Reporting Issues Committee Statements, IFRICS (18), (Azobu, 2010). IFRSs are designed to encourage professional judgment and discourage over reliance on detailed rules (Doubnik & Perero, 2007). The adoption and implementation of International Accounting Standards were more through persuasion and never mandatory on any country’s professional accountancy bodies who are members of these board. These standards have the problem of automatic adoption and by all countries on account of differences in background and tradition of countries, differences in the needs of, and by various economic environment and the perceived challenges to sovereignty of states and enforcing standards (Frank, 1971).

2.1 IFRS and Financial Reporting Quality

Empirical studies have investigated the effects of adopting IAS/IFRS in Europe on investors’ perception of accounting quality prior to Regulation 1606/2002, providing evidence in favour of their adoption. By means of disclosure quality scores provided by reputed experts, Daske and Gebhardt (2006) report, for instance, an increase in accounting quality for a sample of Austrian, German, and Swiss firms switching to IAS/IFRS in the period prior to their mandatory adoption in Europe. Similar results are provided by value-relevance studies such as the ones by Bartov et al. (2005), which document an increase in the value-relevance of earnings for German firms adopting IAS/IFRS. Barth et al. (2008) also compare domestic GAAP and IAS/IFRS across 21 countries, suggesting that firms applying IAS/IFRS exhibit less earnings management, more timely loss recognition, and more value-relevant accounting measures.

However, all these studies refer to voluntary adoption of IAS/IFRS, which might be the result of corporate incentives to increase transparency. Ashbaugh (2001), for instance, documents that the decision to report under IAS/IFRS is positively related to corporate size, the number of foreign equity markets on which the firm’s shares are traded and the additional issuance of equity shares. Similar findings are reported by Cuijpers and Buijink (2005) and Gassen and Selhorn (2006).

For a sample of European non-financial firms that voluntarily adopted IAS/IFRS, Cuijpers and Buijink (2005) document that foreign listing and geographical dispersion of operations are important drivers. Gassen and Selhorn (2006) also show that size, international exposure, dispersion of ownership, and IPOs are important determinants of voluntary IAS/IFRS adoption by publicly traded German firms. Findings therefore suggest that
companies voluntarily shifting to IAS/IFRS have incentives to improve transparency and the quality of financial reporting. Along the same lines, Covrig et al. (2007) argued that foreign mutual fund ownership is significantly higher among IAS/IFRS adopters, which suggests a voluntary switch to IAS/IFRS aimed at attracting foreign investors by providing them with both more information and information that is more familiar to them.

2.2 Issues and Challenges in International Financial Reporting Standards

The international Financial Reporting Standards (IFRS) is regarded as a global GAAP and a set of principles–based and globally accepted standard published by the International Accounting Standards Board (IASB) to assist those involved in the preparation of financial statements all over the world to prepare and present high quality, transparent and comparable financial statements. According to Akinmutimi (2011), the major strength of IFRS is that it offers a lot of benefits to corporate and public entities in terms of cost; easy consolidation of financial statements; better management control of internal consistencies of reporting; improved access to global financial capital markets; ability of international investors to make meaningful comparisons of investment portfolios in different countries and promotion of trade within regional economic groups.

According to Izedonmi (2011), the need and feasibility for a uniform global financial reporting framework has been on for many years. He identified the following factors supporting the adoption of IFRS:

(i) Continuous integration of world economy;
(ii) Increased interdependence of the international financial markets;
(iii) Absence of barriers of capital flows across national boundaries;
(iv) Increased mobility of capital across national boundaries;
(v) Multiple listing by companies in capital markets within and outside their home jurisdiction;
(vi) Continuous demand by stakeholders for quality information and greater disclosures.

There is however some inherent problems with aligning with international accounting standards, Ukpai (2002) pointed out that international accounting clearly has a language problem. The word “asset” in French may also connote “active”. The German language has no reasonable single-word counterpart for the term fair. Since accounting itself is not readily translatable into Dutch, people in Holland simply use the English word “accounting” as part of their native language. Accounting words are far from universally comprehensible. Moreso, government policy may not be in support of international standards. Adams (2004) claimed that where an accounting standard conflicts with government policy, the standard is revised. For instance, LIFO is not allowable for tax purpose in stock valuation. Another problem
inherent with the adoption of IFRS is the universal tendency to resist change. Too often, cooperation comes only from compromise and sometimes to the detriment of quality (NASB 2010).

After few years of vacillation, Nigeria in 2010 formally decided to align her financial and accounting computations and reporting standards with what obtains in most futuristic economies across the world by setting January 1, 2012 as the commencement date for corporate and public entities to adopt the IFRS. Having weighted the challenges and benefits associated with IFRS, some reporting entities in Nigeria especially those with global operations such as Guaranty Trust Bank, Access Bank, EcoBank, and Oando have taken steps toward its development and implementation.

To facilitate the adoption of IFRS the NASB, investors, commercial enterprises and government regulatory agencies, in collaboration with other professional bodies involved in financial reporting have organized series of workshops and seminars across the country as part of their efforts to create awareness about IFRS project conversion. The implications of this decision are as numerous as they are profound. Akinmutimi (2011), stated that corporate entities need to build capacity to drive the process and revisit their operational and internal control systems. More so, the laws need to be amended and the transition processes need to be handled efficiently, effectively and professionally in order to sustain the confidence of users of accounting services on the confidence of users of accounting services on the skills of professional accountants.

Gambari (2010) stated that the successful adoption of IFRS entails assessing technical accounting, tax implications, internal processes, and statutory reporting, technology infrastructure, and organizational issues.

2.3 Adoption of IFRS in Nigeria

Recently there has been a push towards the adoption of IFRS developed and issued by the International Accounting Standards Board (IASB). The increasing growth in international trade, cross border financial transactions and investments which unavoidably involves the preparation and presentation of accounting reports that is useful across various national borders, has brought about the adoption of IFRS by both the developed and developing countries (Armstrong et al., 2007). The process of adoption received a significant boost in 2002 when the European Union adopted a regulation 1606/2002 requiring all public companies in the territory to convert to IFRSs beginning in 2005 (Iyoha & Faboyede, 2011). A number of African countries including Nigeria, Ghana, Sierra Leone, South Africa, Kenya, Zimbabwe and Tunisia among others have adopted or declared intentions to adopt the standards. In particular, Nigeria adoption of IFRS was launched in September, 2010 by the

The adoption was planned to commence with Public Listed Companies in 2012 and by end 2014 all stakeholders would have complied. As at today, banking sector has fully implemented. This is considered a welcome progress for developing countries especially some of those that had no resources to establish own standards.

There are proponents as well as opponents who have arguments for and against the global adoption of IFRS. 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. Ball (2006) stated that many developing countries where the quality of local governance institutions is low, the decision to adopt IFRS will be beneficial.

Lipsey and Chrystal (2003) noted that FDI often generates somewhat higher-paying jobs than might otherwise be available to local citizens, it generates investment that may not be possible with the local resources only, it links the recipient economy into the world economy in manners that would be hard to achieve by new firms of a purely local origin. According to Lipsey and Chrystal (2003) the FDI alters country’s comparative advantages and improves its competitiveness through technology transfer and effects myriad externalities, domestic investment which can alter a country’s volume and pattern of trade in many income enhancing directions. Countries that suffer from corruption, slow-moving, or ineffectual government are likely to resistant the change (La Porta et al., 1999) but in such countries, the opportunity and switching costs are lower which makes the possibility of adopting IFRS advantageous. Kumar (2007) the foreign capital has the potential to deliver enormous benefits to developing nations. in addition to helping bridge the gap between savings and investment in capital-scarce economies, capital often brings with it modern technology and encourages development of more mature financial sectors. Capital flows have proven effective in promoting growth and productivity in countries that have enough skilled workers and infrastructure. Some economists believe capital flows also help discipline governments’ macroeconomic policies.

GAB (2012) stated that one of the demerits that will be experienced by countries adopting of IFRS include: forgoing the benefits of any past and potential future innovations in local
reporting standards specific to their economies. Single set of accounting standards cannot
reflect the differences in national business practices arising from differences in institutions
and cultures (Armstrong et al., 2007). The Nigeria accounting regulatory includes: the
Companies and Allied Matters Act 1990 which stipulate the format, content and scope of the
financial statements, disclosure requirement and auditing. It also requires that financial
statements of companies comply with statements of accounting standards (SAS) issued from
time to time by NASB and audit carried out in accordance with generally accepted auditing
standards. Secondly, Nigerian Accounting Standards Board (NASB) Act No.22 of 2003 as the
only independent body responsible for developing and issuing SAS for preparers and auditors
of financial statements of business concern and government agencies (Madawaki, 2012).
Although many countries have faced challenges in their decisions to adopt IFRS, its wide
spread adoption has been promoted by the argument that the benefits outweigh the costs
(Iyoha & Faboyede, 2011).

Economic researchers opined that investment flow is induced by pull factors in the host
countries; these include natural resources, infrastructure, human capital, available market and
macroeconomic institutions (Asiedu, 2006; Dirk, 2006; Asiedu and Lien, 2011). From this,
Gordon, Loeb and Zhu (2012) argue that IFRS adoption cannot inform investment inflow
without considering the level of development of the affected countries. Hence, for IFRS
adoption to improve investment, the level of development of the countries must be considered
(Efobi et al, 2014). It is important to note that Gordon, Loeb and Zhu (2012) are among the
most recent empirical studies that have considered the IFRS/FDI nexus. The existing
theoretical models imply that Foreign Direct Investment (FDI) is beneficial for host country’s
economic growth. According to traditional economic theory (law of diminishing returns), FDI
will tend to concentrate in less developed countries, where there exist greater opportunities to
achieve higher returns. In order for FDI to become productive in developing countries, the
following conditions should exist: (i) the existence of a minimum threshold level of human
capital (Borensztein et al, 1998), improved domestic infrastructures (de Mello, 1999), and a
developed local financial systems (Alfaro et al, 2006). Out of all, the last prerequisite seems
to have more weight in order for FDI to flow into any developing country and have a
measurable impact on economic growth. Lack of these requirements has resulted in
imbalanced in the FDI distribution across many developing countries. Some of the countries
are facing difficulties in attracting foreign investors. FDI is considered as an important
channel for direct technology distribution and may be the major vital conduit for technology
transfer because of the scarcity of financial resources and the urgent need for reconstruction
in many developing countries (Hossein & Yazdan, 2012). Within this framework it is
expected that FDI will contribute to economic growth, indirectly by accelerating the diffusion of general purpose technologies (Hossein & Yazdan, 2012).

2.4 Regulatory Framework of Financial Reporting In Nigeria

Regulatory framework of financial reporting refers to the principles, rules and regulations guiding the preparation and presentation of financial statements. Oyekanmi (2003) noted that those guidelines or the lay down rules guiding the preparation of the financial statements can be broadly classified into two:

1. The Institutional Framework
2. The Legal Framework

<table>
<thead>
<tr>
<th>TOPIC</th>
<th>NG-GAAP</th>
<th>IFRS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property plant and equipment</td>
<td>Measured using cost model</td>
<td>Measured using cost model with detailed guidance regarding: Componentization Usefulness Residual values Impairment calculations and identifying cash generating units.</td>
</tr>
<tr>
<td>Related parties</td>
<td>Limited disclosure but expected</td>
<td>Detailed guidance on identification of related parties detailed disclosure of related parties and transactions.</td>
</tr>
<tr>
<td>Segment reporting</td>
<td>More on geography</td>
<td>Operation segments based on management’s view Threshold for reportable segments is results or assets of an individual segment should be 10% or More of all segments. If the aggregate revenue of all reported segments on this basis less than 75% of total, then more segments required Until 75% threshold is reached.</td>
</tr>
<tr>
<td>IFRS I-First time adoption of IFRS</td>
<td>Not applicable</td>
<td>Provides guidance and requirements on the transition to IFRS. Also provides relief for certain items in the preparation of the opening balance sheet.</td>
</tr>
<tr>
<td>Financial guarantees</td>
<td>Disclosed as contingent liabilities</td>
<td>Requires financial guarantees to be recognized at their fair value.</td>
</tr>
<tr>
<td>Scope of consolidation</td>
<td>General principles</td>
<td>Investment under control is consolidated. SPEs are potentially also consolidated.</td>
</tr>
<tr>
<td>Employee benefits</td>
<td>General expense and disclosures on pensions</td>
<td>Complex criteria of accounting Recognize the undiscounted amount of short-term employee benefits.</td>
</tr>
<tr>
<td>Risk management</td>
<td>Limited disclosure of foreign exchange and</td>
<td>Disclosure required for: Credit risk and...</td>
</tr>
</tbody>
</table>
disclosures | credit risk | Liquidity risk  
| | | Price risk  
| | | Capital risk management  
| | | Risk management  

Leases | Based on general guidelines operating and finance leases | Currently similar but updates IFRSS e.g. IFRIC 4 will lead to only finance leases hence more items coming onto balance sheet.  
| | | Fair value and amortized costs used in valuations  
| | | Certain transactions/contracts containing hidden leases which needed to be accounted for.  

Impairments | No specific standard | IFRS 36 – impairment on non-financial assets  
| | | IAS 39 – impairment on financial assets  

Financial asset classification and valuation | Classification include: cost amortized cost | classification include:  
| | | Amortized cost  
| | | Fair value  
| | | This is driven by the business model and nature of the instrument.  


2.5 Benefits of Adopting IFRS in Nigeria


The potential benefits that Nigeria stands to gain after IFRS adoption are seen in the light of:

(i) Promotion of the compilation of meaningful data on the performance of various reporting entities at both public and private levels in Nigeria thereby encouraging comparability, transparency, efficiency and reliability of financial reporting in Nigeria.

(ii) Assurance of useful and meaningful decisions on investment portfolio in Nigeria. Investors can easily compare financial results of corporation and make investment decisions.

(iii) Attraction of direct foreign investment. Countries attract investment through greater transparency and a lower cost of capital for potential investors. For example, cross-border listing is greatly facilitated by the use of IFRS.

(iv) Assurance of easier access to external capital for local companies.

(v) Reduction of the cost of doing business across borders by eliminating the need for supplementary information from Nigerian companies.

(vi) Facilitation or easy consolidation of financial information of the same company with offices in different countries. Multi-nationals companies avoid the hassle of restating their
accounts in local GAAPs to meet the requirements of national stock exchange and regulators, making the consolidation of accounts of foreign subsidiaries easier and lowering overall cost of financial reporting.

(vii) Easier regulation of financial information of entities in Nigeria.

(viii) Enhanced knowledge of global financial reporting standards by tertiary institutions in Nigeria.

(ix) Additional and better quality financial information for shareholders and supervisory authorities.

(x) Government to be able to better access the tax liabilities of multinational companies.

2.6 Challenges to IFRS Adoption in Nigeria

The practical challenges that may be faced in Nigeria as a result of implementing the IFRS need to be identified and addressed in order to benefit fully from the introduction of IFRS.

These challenges have been evidenced by previous studies conducted by scholars such as: (Alp & Ustundag, 2009): potential knowledge shortfall, (Li & Meeks, 2006): legal system effect, (Shleifer & Vishny, 2003): tax system effect, (Irvine & Lucas, 2006): education and training, (Martins, 2011): enforcement and compliance mechanism. The challenges are discussed as follows:

2.6.1 Level of Awareness

The transition plan to IFRS and its implications for preparers and users of financial statements, regulators, educators and other stakeholders have to be effectively coordinated and communicated. This should include raising awareness on the potential impact of the conversion, identifying regulatory synergies to be derived and communicating the temporary impact of the transition on business performance and financial position. The implementation of IFRS requires considerable preparation both at the country and entity levels to ensure coherence and provide clarity on the authority that IFRS will have in relation to other existing national laws.

2.6.2 Accounting Education and Training

Practical implementation of IFRS requires adequate technical capacity among preparers and users of financial statements, auditors and regulatory authorities. Countries that implemented IFRS faced a variety of capacity-related issues, depending on the approach they took. 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.

2.6.3 Training Resources

Professional accountants are looked upon to ensure successful implementation of IFRS. Along with these accountants, government officials, financial analysts, auditors, tax practitioners, regulators, accounting lecturers, stock-brokers, preparers of financial statements and information officers are all responsible for smooth adoption process. 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.

2.6.4 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 amendment to ensure a smooth transition to IFRS.

3. Methodology

Survey research design was adopted in the course of the study. The total number of the research population in terms of employees in KPMG is seven hundred and fifty one (751). KPMG operates in four divisions namely: Auditing division, Advisory division, Tax division and Central Management division (Administrative division). The employees in the Auditing division are those that have good knowledge and possibly expertise relevant to the technical requirements and financial reporting implications of accounting standards. In addition, these employees over the years audited and consulted for many leading corporate organizations before and after their adoption of IFRS. Because they are all knowledgeable in the implications and application of accounting standards, stratified random sampling technique was employed in the administration of the Fifty (50) copies of questionnaire in the Auditing division. A five-point Likert type scale questionnaire was used to collect necessary data to test the hypothesis of the study. The Cronbach’s alpha was used to test the reliability of questionnaire and it gave a value of 0.889. This value is in line with the recommendation of Osuagwu (2002) that a coefficient of 0.70 and above is acceptable. Data normality was
checked using a rule of thumb proposed by Kline (1998) which submits that any univariate skew values greater than 3.0 and kurtosis greater than 10.0 may suggest problem of normality of data (Hardigan et al., 2001). None of the results of normality from the present research approached these abnormality values.

4. Data Results and Interpretation

Having given a careful analysis of the responses obtained from the respondents through questionnaire administered, the hypothesis formulated were tested, and in doing so, Statistical analysis for Social Sciences (SPSS) was used to performed statistical analysis in testing the various hypotheses through the chi square and with a value of 5 percent (level of significance) that corresponds to a 95 percent confidence level. Therefore, the tables presented above are SPSS outputs

Table 2: Descriptive Statistics of impact of International Financial Reporting Standards (IFRS) on the financial reporting practice in Nigeria (n=50)

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>Standard Deviation</th>
<th>Skewness</th>
<th>Kurtosis</th>
</tr>
</thead>
<tbody>
<tr>
<td>B1</td>
<td>2.9800</td>
<td>1.92184</td>
<td>-0.006</td>
<td>-1.995</td>
</tr>
<tr>
<td>B2</td>
<td>3.8800</td>
<td>1.13641</td>
<td>-0.712</td>
<td>-0.552</td>
</tr>
<tr>
<td>B3</td>
<td>4.1000</td>
<td>0.64681</td>
<td>-0.566</td>
<td>1.373</td>
</tr>
<tr>
<td>B4</td>
<td>4.6000</td>
<td>0.96890</td>
<td>-2.749</td>
<td>7.183</td>
</tr>
<tr>
<td>B5</td>
<td>2.7143</td>
<td>1.79118</td>
<td>0.266</td>
<td>-1.819</td>
</tr>
<tr>
<td>B6</td>
<td>4.7200</td>
<td>5.72861</td>
<td>-1.967</td>
<td>2.943</td>
</tr>
<tr>
<td>B7</td>
<td>4.5800</td>
<td>0.81039</td>
<td>-2.666</td>
<td>8.426</td>
</tr>
<tr>
<td>B8</td>
<td>3.1400</td>
<td>1.53875</td>
<td>-0.069</td>
<td>-1.605</td>
</tr>
<tr>
<td>B9</td>
<td>4.5400</td>
<td>0.57888</td>
<td>-0.819</td>
<td>-0.283</td>
</tr>
<tr>
<td>B10</td>
<td>4.2200</td>
<td>0.46467</td>
<td>0.738</td>
<td>1.144</td>
</tr>
<tr>
<td>B11</td>
<td>4.1800</td>
<td>0.77433</td>
<td>-1.701</td>
<td>5.533</td>
</tr>
<tr>
<td>B12</td>
<td>2.8800</td>
<td>1.59898</td>
<td>0.079</td>
<td>-1.660</td>
</tr>
<tr>
<td>B13</td>
<td>4.5200</td>
<td>0.57994</td>
<td>-0.735</td>
<td>-4.14</td>
</tr>
<tr>
<td>B14</td>
<td>4.6800</td>
<td>0.55107</td>
<td>-1.534</td>
<td>1.529</td>
</tr>
</tbody>
</table>

Source: Field Survey, 2014

Table 2 shows the descriptive statistics of the impact of International Financial Reporting Standards (IFRS) on the financial reporting practice in Nigeria. From the analysis table, variable B6 with a mean value of 4.72 and the highest value signifies a very high impact. It shows that almost all the respondent to a large extent agreed to the fact that IFRS provides better information for regulators than GAAP. The second highest mean value is B14 with a mean value of 4.68. The mean value signifies that the respondents believed IFRS directly affects how earnings and other key aspect of the business are accounted and reported for. The next rank mean value is B4 with a mean value of 4.60 i.e. the adoption of IFRS will increase transparency and comparability of financial statements in Nigeria. It is also observed that, the above average mean value, ranked in the following order respectively B7, B9, B13, B10, B11, B3, B2, B8, B1, B12 and B5, with values of 4.58, 4.54, 4.52, 4.22, 4.18, 4.10, 3.88, and 3.14.
respectively. The respondents agreed with above average that is to a reasonable extent the research variables which the defined variables above represented. These are:

B7 = It is easier to secure cross border listing under IFRS than under GAAP.

B9 = Companies that operates or aims to operates in multiple foreign countries will be under pressure to comply with accounting standard under IFRS than in GAAP(SAS).

B13 = IFRS will boost investors' confidence to invest in the company.

B10 = the adoption of IFRS will promote and increase access to overseas market.

B11 = IFRS will assist the government and the accounting regulatory body to attract international investors.

B3 = The adoption of IFRS will result in a positive change or development in human resources.

B2 = The adoption of IFRS will pave an easy way for auditors to discharge their duties efficiently and effectively.

B8 = Competitiveness among companies is enhanced under FRs than under GAAP.

From the descriptive statistics table, it can be seen that most (80%) of the statements had above average indicating degree of impact of IFRS on the financial reporting practices of firms in Nigeria. However, changes in business processes and operations, financial position of companies and reduction in cost of finance were the least contributions of IFRS emphasized by the respondents.

4.1 Hypothesis Testing

Chi-Square Analyses were carried out on four (4) Null hypotheses:

4.1.1 Hypothesis I

H01: Financial reports prepared under IFRSs does not enhance best practices in a corporate organization.

Table 3: Chi-Square Tests

<table>
<thead>
<tr>
<th>Value</th>
<th>Df</th>
<th>Asymp. Sig. (2-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>37.857*</td>
<td>16</td>
</tr>
<tr>
<td>Likelihood Ratio</td>
<td>23.872</td>
<td>16</td>
</tr>
<tr>
<td>Linear-by-Linear Association</td>
<td>4.126</td>
<td>1</td>
</tr>
</tbody>
</table>

N of Valid Cases 50

a. 21 cells (84.0%) have expected count less than 5. The minimum expected count is .04.

Source: Field Survey, 2014

From the test statistics table, the acceptance of either the alternative or null hypothesis is based on the respective values of the asymptotic significance given in the above SPSS output table. The Null hypothesis shows that the test is significant based on the Pearson Chi Square
P-value of 37.857 as shown in Table 3. Hence, a financial report prepared under IFRSs does enhance best practices in a corporate organization.

4.1.2 Hypothesis II

H02: Financial statements prepared in line with IFRS do not provide greater benefits than the former GAAP (SAS).

Table 4: Chi-Square Tests

<table>
<thead>
<tr>
<th></th>
<th>Value</th>
<th>Df</th>
<th>Asymp. Sig. (2-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>75.763*</td>
<td>16</td>
<td>.000</td>
</tr>
<tr>
<td>Likelihood Ratio</td>
<td>69.736</td>
<td>16</td>
<td>.000</td>
</tr>
<tr>
<td>Linear-by-Linear Association</td>
<td>33.678</td>
<td>1</td>
<td>.000</td>
</tr>
<tr>
<td>N of Valid Cases</td>
<td></td>
<td>49</td>
<td></td>
</tr>
</tbody>
</table>

a. 21 cells (84.0%) have expected count less than 5. The minimum expected count is .04.

Source: Field Survey, 2014

The result of the second null hypothesis shows that the test is significant based on the Pearson Chi-Square likelihood P-Value of 75.763 as shown in Table 4. Thus, accept the alternative hypothesis that financial statements prepared in line with IFRS do provides greater benefits than the former GAAP (SAS).

4.1.3 Hypothesis III

H03: Compliance with IFRS does not promote cross border investment and access to International markets.

Table 5: Chi-Square Tests

<table>
<thead>
<tr>
<th></th>
<th>Value</th>
<th>Df</th>
<th>Asymp. Sig. (2-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>63.128*</td>
<td>16</td>
<td>.000</td>
</tr>
<tr>
<td>Likelihood Ratio</td>
<td>24.989</td>
<td>16</td>
<td>.070</td>
</tr>
<tr>
<td>Linear-by-Linear Association</td>
<td>25.216</td>
<td>1</td>
<td>.000</td>
</tr>
<tr>
<td>N of Valid Cases</td>
<td></td>
<td>50</td>
<td></td>
</tr>
</tbody>
</table>

a. 23 cells (92.0%) have expected count less than 5. The minimum expected count is .02.

Source: Field Survey, 2014

Table 5 shows the results of analysis of hypothesis three. The analysis indicates that the test is significant based on the Pearson Chi-Square likelihood p-value of 63.128 as shown in Table 5. Therefore, accept the alternative hypothesis that compliance with IFRS does not promote cross border investment and access to international market.

4.1.4: Hypothesis IV

H04 : Compliance with IFRS will not improve the performance of companies.
Table 6: Chi-Square Tests

<table>
<thead>
<tr>
<th></th>
<th>Value</th>
<th>Df</th>
<th>Asymp. Sig. (2-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>20.417</td>
<td>8</td>
<td>.009</td>
</tr>
<tr>
<td>Likelihood Ratio</td>
<td>14.652</td>
<td>8</td>
<td>.066</td>
</tr>
<tr>
<td>Linear-by-Linear Association</td>
<td>4.135</td>
<td>1</td>
<td>.042</td>
</tr>
<tr>
<td>N of Valid Cases</td>
<td>50</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* a. 13 cells (86.7%) have expected count less than 5. The minimum expected count is .04.

Source: Field Survey, 2014

A table result of test of hypothesis 4 is presented in Table 5. The analysis shows that the test is significant based on the Pearson Chi-Square likelihood p-value of 20.417 as shown in Table 5.0 Therefore, accept the alternative hypothesis that compliance with IFRS does not promote cross border investment and access to international market.

4.2 Key to Research Variables

B1 = The adoption of IFRS changes business processes and operations.
B2 = The adoption of IFRS will pave an easy way for auditors to discharge their duties efficiently and effectively.
B3 = The adoption of IFRS will result in a positive change or development in human resources.
B4 = The adoption of IFRS will increase transparency and comparability of financial statements in Nigeria
B5 = There is a greater efficiency and decrease in cost of finance under IFRS than in GAAP (SAS)
B6 = IFRS provides better information for regulators than GAAP
B7 = It is easier to secure cross border listing under IFRS than under GAAP.
B8 = Competitiveness among companies is enhanced under FRS than under GAAP
B9 = Companies that operates or aims to operates in multiple foreign countries will be under pressure to comply with accounting standard under IFRS than in GAAP(SAS)
B10 = The adoption of IFRS will promote and increase access to overseas market.
B11 = IFRS will assist the government and the accounting regulatory body to attract international investors.
B12 = The adoption of IFRS will affect the financial position of the company
B13 = IFRS will boost investors' confidence to invest in the company
B14 = IFRS directly affects how earning and other key aspect of the business are accounted and reported for
5. Conclusions and Recommendations

The study is on potential impact of IFRS on financial reporting practices in Nigeria. The objectives are to find out whether IFRS provides greater benefits than the current GAAP, to know if IFRS promotes best practices in an organization, to know if IFRS promotes cross border investment and to determine the impact of IFRS on the performance of companies. From the study, it is revealed that IFRS has significance impact on the financial reporting practice in Nigeria. Thus, there is no doubt 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. The following recommendations were put forward:

5.1 Regulatory Bodies

There should be enlighten campaigns on the potential impacts of adopting IFRS by the regulatory authorities presently in Nigeria, since the effective date of implementation has been embarked upon. A rigorous capacity building programs should be embarked upon by all regulatory bodies and training institutions in order to provide the needed manpower for IFRS implementation.

5.2 To Companies

Companies should prepare adequately on all fronts for the implementation of IFRS. Companies should endeavour to use the opportunity presented by the adoption of IFRS to improve their business process and procedures. Companies that are required to adopt IFRS should also be involved in capacity building by organizing conferences and seminars for members and staff of the company on IFRS.

5.3 To Government

Nigeria’s adoption of IFRS should be supported as a matter of urgency to enable full attainment of the country’s economic potential. As the time table for the adoption of IFRS in Nigeria has been determined, the need to properly re-evaluate the activities of the major institutions connected with the implementation of the new standard should be urgently considered.

5.4 To Universities

At the moment in Nigeria, IFRS is not in the syllabus of the students in tertiary institution, IFRS should be included be included in the syllabus of Accounting Department in the tertiary institutions so that students will have the knowledge before entering into the labour market. The accounting education curricula in Nigeria’s tertiary institution and
secondary schools should urgently be reviewed to reflect current realities and actual business practices and for that purpose should capture an adequate dose: provisions and thrust of IFRS of their output are to remain globally competitive.

5.5 Accounting Bodies

The accountancy institutes in Nigeria must embark on massive education training and retraining of their members through continuing professional development programmes. The education, sensitization and communication to shareholders of issues associated with IFRS vis-à-vis the role of the relevant institution should commence in earnest.

References


Jacob & Madu (2009).IFRS as a tool to promote cross-border investment.


