THE IMPACT OF MANDATORY ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARD ON ACCOUNTING QUALITY IN NIGERIA

ZAHARADDEEN SALISU MAIGOSHI (815076)

Project paper submitted to Othman Yeop Abdullah Graduate School of Business, Universiti Utara Malaysia, in Fulfillment of the Requirement for the Degree of Master of Science (International Accounting).

2014

DECLARATION

I certify the originality of ideas, analyses, conclusions and recommendations reported in this project paper to be my original work except for quotations and citations which have been duly acknowledged. I also declare that the substance of this paper has not been previously or currently submitted for any other degree or qualification at UUM or any other University.

PERMISSION TO USE

In presenting this project paper in partial fulfillment of the requirements for a postgraduate degree from Universiti Utara Malaysia, I agree that the University Library may make it freely available for inspection. I further agree that permission for copying of this project paper in any manner, in whole or in part, for scholarly purpose may be granted by my supervisor or, in her absence by the Dean of Othman Yeop Abdullah Graduate School of Business. It is understood that any copying or publication or use of this project paper or parts thereof for financial gain shall not be allowed without my written permission. It is also understood that due recognition will be given to me and to Universiti Utara Malaysia for any scholarly use which may be made of any material from my project paper. Any request for permission to copy or make other use of materials in this project paper, in whole or in part should be addressed to:

Dean,

Othman Yeop Abdullah Graduate School of Business,

Universiti Utara Malaysia,

06010 UUM Sintok,

Kedah Darul Aman, Malaysia.

ABSTRACT

This study was aimed to empirically evaluate the impact of mandatory adoption of IFRS on accounting quality in Nigeria using the publicly quoted companies. The study utilized the annual reports and accounts of 108 companies quoted in Nigerian Stock Exchange for the period of 2011 to 2012. After review of relevant literatures related to this field of study, conceptual framework was formulated and research hypotheses were developed to enable good examination of the relationship between research variables. Multiple regression analysis was employed in analyzing the data generated for the study. Based on the data analyses, the study revealed a significant increase in the value relevance of financial statement in Nigeria after the mandatory adoption of IFRS. The study found that earnings management has reduced with the adoption of IFRS as reporting standard in Nigeria and large loss recognitions have also increased in the post adoption period. Based on the research findings, the researcher recommends that developing nations should adopt IFRS as their financial reporting standard as it is capable of increasing their accounting quality. The researcher also recommends that research should be conducted to analyze why IFRS improves the accounting quality based on standard by standard, not the whole package as whole.

Keywords: Accounting quality, earnings management, IFRS, timely loss recognition, value relevance.

ACKNOWLEDGEMENT

In the name of Allah the most gracious and the most merciful. Alhamdulillahi alladhi bi niimatihi tatimmus salitu. All praise be to Almighty Allah the lord of the universe, whose blessings, mercy and guidance made it possible for me to complete this challenging journey of having M.Sc (Internal Accounting). Peace and blessings of Almighty Allah be to our noble prophet Muhammad S.A.W, members of his family, companions and those follow their path till the day of resurrection. I have to appreciate the efforts of my supervisor, Dr Siti Zabedah bt Hj Saidin for taking the pain of going through my work, making corrections and recommendations that did not only put me on the right track but also make the whole work into reality, I remain indebted to you. The efforts of my discipline and lovely parent for their spiritual and moral support, prayers and encouragement to remain firm in a good track should also be appreciated, may Almighty Allah rewards them with best among his rewards. Worth to mention the name of my competent and able governor, Engr Dr Rabiu Musa Kwankwaso, the governor of Kano state for utilizing the tax payers' money in sponsoring my study together with thousands of Kano state indigenes to pursue their post graduate study across the globe, I say big thank you to you Sir. Let me use this medium to appreciate the untiring prayers and supports from my family members, I remain yours forever. Efforts and guidance of the academic staff of school of accountancy and the university library in providing conducive atmosphere for leaning and research throughout the period of my study should not go unacknowledged. Last but not the least, is to thank my course mates and friends both local and international in Universiti Utara Malaysia. Wa akhiri daawana anil hamdulillahi rabbil alamina.

TABLE OF CONTENT

TITLE PAGE………………………………………………………………………...….i

CERTIFICATION OF THESIS………………………………………………….…….ii

DECLARATION……………………………………………………………….....iii

PERMISSION TO USE……………………………………………………….……….iv

ABSTRACT…………………………………………………………………………….v

ACKNOWLEDGEMENT……………………………………………………………vi

TABLE OF CONTENT………………………………………………………………vii

LIST OF TABLES……………………………………………………………………xii

LIST OF FIGURES…………………………………………………………………..xiii

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study…………………………………………………………1

1.2 Problem Statement…………………………………………………………….…..3

1.3 Objectives of the Research……………………………………………...……6

1.4 Research Questions……………………………………………………..……7

1.5 Scope of the Study…………………………………………………………...8

1.6 Justification for the Study………………………………………………………8

1.7 Significance of the Study………………………………………………………9

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction……………………………………………………………………10

2.1 The Concept of Financial Reporting…………………………………………..10
2.2 The Role of Accounting Standard in Financial Reporting……………………..…...12
2.3 The Concept of International Financial Reporting Standard…………………......13
2.3.1 Objectives of International Accounting Standard Board………………...14
2.3.2 IFRS and Fair Value Accounting……………………………………..….16
2.3.3 Costs and Benefits of IFRS Adoption…….……………………………...18
2.3.4 Factors Affecting IFRS Adoption Globally……………………...……21
2.4 Research Variables………………………………………………………….21
2.5 Research Framework………………………………….…………………22
2.6 IFRS and Accounting Quality……………………………………...…….23
2.6.1 IFRS and Value Relevance……………………………………...…….24
2.6.2 IFRS and Earning Management……………………………………...…..27
2.6.3 IFRS and Timely Loss Recognition ……………………………………..31
2.7 Underpinning Theory……………………………………………………….…33
2.7.1 Agency Theory…………………………………………………....……33
2.7.2 Stakeholders Theory……………………………………………………..34
2.8 Summary of the Chapter………………………………………………..……..35

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction……….…………………………………………………..….37
3.1 Population…………………………………………………………….….37
3.1.1 Population of Interest……………………………………………..……37
3.1.2 Target Population……………………………………………………..38

3.2 Data Collection……………………………………………………………….….38

3.2.1 Sampling Method…………………………………………...………38

3.2.2 Sampling Size....………………………………………..………..39

3.2.3 Method of Data Collection……………………………………………41

3.3 Measurement of Research Variables…………………………......……..42

3.3.1 Value Relevance………………………………………………..……..42

3.3.2 Earnings Management…………………………………...…………43

3.3.3 Timely Loss Recognition…………………………………...…………47

3.4 Methods and Tool for Data Analysis……………………………….……47

3.4.1 Descriptive Statistics……………………………………..…………48

3.4.2 Correlation Analysis……………………………………………….48

3.4.3 Regression Analysis………………………………………….……….48

3.4.4 Tool for Data Analysis…………………………………...……49

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.0 Introduction…………………………………………...……………50

4.1 Sample Profile…………………………………………………...………….50

4.2 Descriptive Statistics……………………………………………………..51

4.3 Correlation Analysis……………………………………..………………60

4.3.1 Correlation Analysis in the Post Adoption Period….…………………...60

4.3.1.1 Correlation Analysis on Value Relevance……………………..…61

4.3.1.2 Correlation Analysis on Earnings Management…………………62

4.3.1.3 Correlation Analysis on Timely Loss Recognition……………....62

4.3.1.4 Correlation Analysis on Control Variables…………………….....62

4.3.2 Correlation Analysis in the Pre Adoption Period…………………..……63

4.3.2.1 Correlation Analysis on Value Relevance…………………..………64

4.3.2.2 Correlation Analysis on Earnings Management………...……….65

4.3.2.3 Correlation Analysis on Timely Loss Recognition……….……..65

4.3.2.4 Correlation Analysis on Control Variables…………………...….66

4.4 Results and Hypotheses Testing……………………………………...….67

4.4.1 Empirical Result Hypothesis Testing on Value Relevance……………...67

4.4.2 Empirical Result Hypothesis Testing on Earnings Management………..71

4.4.3 Empirical Result Hypothesis Testing on Timely Loss Recognition……..73

4.4.4 Summary of Findings…………………………………………….……74

4.5 Summary of the Chapter…………………………………………...……….75

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction ……………………………………………………….……..76

5.1 Summary of Result……………………………………………………………76

5.2 Recommendations……………………………………………………………..81

5.3 Limitation of the Study………………………………………………………..82

5.4 Future Research……………………………………………………………….83

References……………………………………………………………………………..84

Appendix A…………………………………………………………………………92

Appendix B…………………………………………………………………………94

Appendix C………………………………………………………………………..101

Appendix D……………………………………………………………..…………107

Appendix E……………………………………………………….…………….124

Appendix F…………………………………………………………...…………126

LIST OF TABLES

Tables **Pages**

Table 3.1 Sample Selection Procedure…………………………………….…….40

Table 3.2 Panel B: Industry distribution…………………………………………41

Table 4.1a Descriptive Statistics for Post Adoption Period………………………….53

Table 4.1b Descriptive Statistics for Pre Adoption Period…………………………..54

Table 4.2a Correlations for Post Adoption Period………………………………...…60

Table 4.2b Correlations for Post Adoption Period……………………………….…..61

Table 4.3a Correlations for pre Adoption Period…………………………………63

Table 4.3b Correlations for Pre Adoption Period……………………………...….64

Table 4.4 Result of the Multiple Linear Regression Analysis for

Pooled data (panel I) and Firms with Positive Profit (panel II)……….…68

Table 4.5 Result of Multiple Regressions on the Effect of IFRS Adoption

in Nigeria…………………………………………………………...70

Table 4.6 Comparison of Earnings Management Before and After

IFRS Adoption……………………………………………………...71

Table 4.7 Regression Result for Timely Loss Recognition………….…………..…73

LIST OF FIGURES

Figures **Page**

Figure 2.1 Research Framework……………………………………..……………...22

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

General purpose reporting is a form of financial reporting in which the reporting entities prepare and present their financial statements in a manner that will address and satisfy the information needs of their diverse user groups; it enable them generate a meaningful inferences and permit informed economic decisions. The usefulness and reliance on the contents of financial reports by users of such reports depend on the quality of information provided by those financial reports (Kantudu & Tanko, 2008). Hogget, Edwards, Medlin, and Tilling, (2009) expressed that financial statements are prepared in order to communicate important information to users both within and outside the entity. Financial reports are meant to communicate to the outside world activities related to the entity's performance, financial position, and cashflows from operating, investing and financing activities. Financial statements are used in reporting financing and investing activities at point in time, and summarized operating activities for the preceding period (Subramanyam, 2014). Decision usefulness of financial statements depends on their objectivity, accuracy, clarity, consistency and conformity with Generally Accepted Accounting Principles (GAAP), which can only be guaranteed through the complete application and compliance with relevant accounting standard (Adenola, Abdulrasheed, Titi, & Oyebola, 2012).

Users of financial statements may find it difficult to locate their information needs in any financial statement that lacks some or all of the basic qualities of financial information. Accounting standards are prescribed rules and principles that will improve business practices through proper reporting (Kasum, 2011). They are developed as a guiding tools, which defined how reporting entity should present a reporting items in their reporting statements (Oghuma & Iyoha, 2006). Accounting standards are designed in a manner that if complied with will ensure that financial statements portray all of the necessary information needs of any user of such statements. Financial information can be found in either financial statement proper (statement of financial position, income statement, cashflow statement) or as an item of disclosure/additional information (notes to the accounts).

International Financial Reporting Standards (IFRSs) are set of principle-based accounting standards issued by an independent accounting standard body called International Accounting Standard Board (IASB) in order to harmonize the standards issued by country-based accounting standard boards. They are meant with a view of improving the quality of reporting system and increase the comparability of financial statements globally; thereby improving the decision usefulness of financial reports across the world (Ball, 2006; Müller, 2014; Paglietti, 2010).

Mandatory adoption of IFRS as reporting standard has becoming a global phenomenon, several countries like New Zealand, Australia, Russia, E.U. Bahrain, South Africa, Singapore, Malaysia and some countries in Africa have adopted IFRS as their new reporting standard (Yaacob & Che-Ahmad, 2012). The issuance of European parliament

(No.1606/2002) which requires all companies listed on organized European Union Exchange (over 7000) to prepare their annual accounts and reports in compliance with the provision of IFRS starting from 1st January, 2005 has drawn the attention of accounting professionals, academics and other finance related researchers to the economic consequences of the adoption (Isenmila & Aderemi, 2013; Izedonmi, 2001; Kim, 2013; Müller, 2014; Zéghal, Chtourou, & Sellami, 2011).

IFRS as a reporting standard in Nigeria, financial reporting is expected to be more value relevant to users, more timely, more accurate as well as more quality of reported earnings as evident in many countries (Ball, 2006; Barth, Landsman, & Lang, 2008). Thus this study will examine the financial reporting quality of Nigerian reporting entities both before and after the mandatory adoption of IFRS as a reporting standard in Nigeria with a view to making contribution to knowledge as well as making recommendations on the possible ways of improving accounting quality in Nigeria.

1.2 Problem Statement

According to conceptual framework of IASB as cited by Barth, Beaver and Landsman, (2001) and Palea, (2012) one of the major qualitative characteristics of the information content of financial statements is relevancy of information and information can only said to be relevant if it is capable of influencing the decisions of the users of financial statement and possess confirmatory or predictive value. Financial information can be said to be reliable if it represent the actual current economic position/condition that it purport to represent. In order to ensure that financial reports possess all qualitative characteristics of

good information, the recent IASB's standards are directed towards fair value accounting since the main objective of financial reporting is to provide information that will be used by investors, creditors and other stakeholders to make credit, investment and other related economic decisions (Ball, 2006).

Georgiou and Jack, (2011) argues that fair value accounting will increase the value relevance of financial statement while Cairns, Massoudi, Taplin, and Tarca, (2011) find that fair value accounting as provided in IAS 16 (Property, Plant and Equipment), IAS 36 (Impairment of Assets), IAS 38 (Intangible Assets), IAS 39 (Financial Instruments-Recognition and Measurement), IAS 40 (Investment Property), IFRS 2 (Share-Based Payment) and IFRS 3 (Business Combination) has increase the comparability of financial statement in some standards and decrease in some. Though, Voulgaris and Walker, (2011) admit that fair value accounting has increase the value relevance of financial reports, but argue that it bring noise into financial statement and make it more volatile and sensitive to market movement. It will also have a direct effect on executive's pay and other contractual agreements that are based on the key figures in the financial reports. These make the mandatory adoption of IFRS as reporting standard as a topical issue that received attention of both academics and professional accountants globally (Ismail, Kamarudin, Zijl, & Dunstan, 2013; Srivastava & Bhutani, 2012).

Several studies were conducted by many scholars in order the assess whether voluntary and/or mandatory adoption of IFRS has increased accounting quality (Ahmed, Neel, & Wang, 2013; Barth et al., 2008; Chua, Cheong, & Gould, 2012; Dimitropoulos, Asteriou,

Kousenidis, & Leventis, 2013; Houqe, Easton, & van Zijl, 2014; Houqe, van Zijl, Dunstan, & Karim, 2012; Iatridis, 2012; Ismail, et al., 2013; Lin, Riccardi, & Wang, 2012; Palea, 2012; Samarasekera, Chang, & Tarca, 2012) and find both positive and negative results on the impact of IFRS on accounting quality.

Despite the above contradicting results on the impact of IFRS on accounting quality and applicability of fair value accounting in developed countries, Nigeria like many other countries in the world, has adopted IFRS as her reporting standard. Publicly listed entities and significant public interest entities are required to adopt IFRS starting from 1st January, 2012, other public interest entities are mandated to adopt the said standards as from 1st January, 2013 while small & medium-sized entities should comply with IFRS for SMEs starting from 1st January, 2014.

It must be noted however, that compliance with any standard, law or rule has its own associated costs; compliance will only be worthwhile if the benefits associated with it outweigh the compliance costs (Isenmila & Aderemi, 2013). Accounting standards are not exception to this rule; mandatory adoption of IFRS in Nigeria can only be worthwhile if the accounting quality of Nigerian firms have increased with the adoption of the new standard. As to the best knowledge of the researcher, available literature does not document any research on the impact of mandatory adoption of IFRS on accounting in Nigeria in particular and in developing countries in general. There is need to conduct research with a view to finding whether the mandatory adoption in Nigeria has improved the financial reporting quality of Nigerian reporting entities or not. This research therefore, will assess

the accounting quality of Nigerian publicly quoted companies using both previous Statement of Accounting Standard (that is before mandatory adoption of IFRS) and after the mandatory adoption of IFRS with a view to addressing the above identified problem.

1.3 Research Questions

In order to conduct this study successfully, the researcher developed the following research questions so as to guide him through the conduct of research in which by answering the questions, the research objectives could automatically been achieved.

i) Does mandatory adoption of international financial reporting standard increase the value relevance of financial reporting in Nigeria?

ii) Does mandatory adoption of international financial reporting standard decrease the earning management in the financial reporting in Nigeria?

iii) Does mandatory adoption of international financial reporting standard increase the timely loss recognition by the financial reporting in Nigeria?

iv) Does mandatory adoption of international financial reporting standard increase the overall quality of accounting in Nigeria?

1.4 Objectives of the Research

This research is aimed at assessing the accounting quality of publicly quoted companies on the floor of Nigerian Stock Exchange using both previous Statement of Accounting Standard (pre mandatory adoption of IFRS) and after the mandatory adoption of IFRS with a view to finding whether accounting quality of the financial reports of publicly quoted companies in Nigeria has improved with the new standard or not.

Other specific objectives include:

i) To measure the level of value relevance of financial reporting of the listed companies on Nigerian stock exchange both before and after the mandatory adoption of IFRS as a reporting standard in Nigeria.

ii) To measure the level of earning management in the financial reporting of the listed companies on Nigerian stock exchange both before and after the mandatory adoption of IFRS as a reporting standard in Nigeria.

iii) To assess the level of responsiveness to large loss recognition by the financial reporting of the listed companies on Nigerian stock exchange both before and after the mandatory adoption of IFRS as a reporting standard in Nigeria.

iv) To measure the level of accounting quality of Nigerian entities both before and after the mandatory adoption of IFRS as a reporting standard in Nigeria and make some recommendations therefrom.

1.5 Scope of the Study

This study focused on assessing the quality of accounting in Nigeria both before and after the mandatory adoption of IFRS as a reporting standard in the country for the period of 2011 to 2012 in the annual reports of the whole companies quoted on Nigerian stock exchange with exception to companies that operate in financial services sector of the market. The selection of year 2011 is justified by the fact that it was the ultimate year by which publicly quoted companies in Nigeria prepared their financial statements based on the previous reporting standard (i.e Statement of Accounting Standard issued by National Accounting Standard Board), and the removal of financial services companies is based on

the fact that there are other enactments, laws and regulations (e.g Banks and Other Financial Institutions Act, Insurance Act) and other enforcement agencies (such as Central Bank of Nigeria, National Depositors' Insurance Commission, National Insurance Commission) that influence the quality of their financial reporting much more better than international financial reporting standard and it is consistent with the works of (Chua et al., 2012; Dimitropoulos et al., 2013).

1.6 Justification for the Study

The outcome of this study has made contribution to existing body of knowledge, as accounting quality is one of the areas in accounting that requires the attention of both academics and other researchers due to the new dimension in the financial reporting system (fair value accounting favored by IFRS) which contrast the traditional historical cost based reporting system (Ball, 2006; Ismail et al., 2013). Thus, there is a need to conduct researches on the applicability/suitability of fair value accounting vis-à-vis financial reporting quality especially in developing nations (Srivastava & Bhutani, 2012). This study also contributed to the field of compliance studies, as there is need to conduct research on the possibility of IFRS adoption to improve accounting quality in developing nations.

1.7 Significance of the Study

The research is of utmost importance to standard setters (i.e Financial Reporting Council of Nigeria (FRCN) and International Accounting Standard Board IASB) as it has highlighted the grey areas which require the attention of the standard setters to make necessary actions in order to increase the quality and improve voluntary compliance with the standard. The

outcome of the study if utilized will allow IASB to evaluate its stated objectives in improving accounting quality whether have been achieved. Regulatory bodies such as Corporate Affairs Commission, Nigerian Stock Exchange, Securities and Exchange Commission can also use the outcome of the research in their routine activities of ensuring smooth operations in both money and capital markets of the nation. Also among the social beneficiaries of outcome of this study are both local and international investors as the findings serves as a guide for them to take stand on decision usefulness of financial statements of Nigerian quoted companies.

Coming to the theoretical contribution of the study, the outcome of the research has expanded the frontiers of knowledge in the sense that it has documented the effect of mandatory adoption of IFRS on accounting quality in Nigeria. It can also be used to serve as literature reference to academics for future researches and useful to students who may wish to expand their learning in compliance areas.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter will review the related literature for the topic under study, both conceptual and empirical studies related to the research variables will be reviewed in this section. The sections in this chapter will include research variables, research framework, the concept of financial reporting, the role of accounting standard in financial reporting, the concept of International Financial Reporting Standard, IFRS and fair value accounting, costs and benefits of IFRS adoption, factors affecting IFRS adoption internationally, IFRS and accounting quality, value relevance, earnings management, timely loss recognition, underpinning theories and conclusion of the chapter.

2.1 The Concept of Financial Reporting

According to framework for International Accounting Standard, Financial reporting are means to communicate on the results of stewardship of the management, or the accountability of management for the resources entrusted to it by the owners of such resources. The content of financial report include but not limited to statement of profit or loss and other comprehensive, statement of financial position, cashflow statement, statement of change in shareholders' equity and notes to accounts. Though the revised standard refers to financial reporting as a structured financial representation of the financial position of and the transactions undertaken by an enterprise and elaborate that the objective

of general purpose financial statements is to provide financial information about entity's financial position, its performance and its cashflow which is then utilized by wide spectrum of end users in making economic decisions (Epstein, 2003). Hogget, et al., (2009) expressed that financial reports are prepared in order to communicate important information to users both within and outside the entity. They are meant to communicate entity's performance, financial position and cashflows from operating, investing and financing activities. Financial statements are used in reporting financing and investing activities at a point in time, and summarized operating activities for the preceding period (Subramanyam, 2014).

In the same direction (Mirza and Holt 2011) state that financial reports provide stakeholders with information about the entity's financial position, financial performance and other vital information about its assets, liabilities, equity, income, expenses, changes in equity and cashflow. Financial statements are used in assessing performance, assessing management quality, estimating future prospects, assessing financial strength and stability, assessing solvency, assessing liquidity, assessing risk and uncertainty, aiding resource allocation, making comparison, making valuation decision, assessing adaptability, assessing contribution to society and determining compliance with law or regulation (Belkaoui, 2004). Financial statements can be seen as optical lens which if properly used can easily communicate and display what is going on at the organization. However, the kind and nature of financial data that an entity choose to report and how such data are reported affect not only the financial statements themselves but also the utility, ratios and other numbers used to analyze those statements (Revsine, Collins, & Johnson, 2012). So

there is need to compel entities to report all the vital information that will meet the information needs of its different user groups in an orderly and acceptable manner, and this can only be achieve through the issuance and compliance with high quality accounting standard that will ensure standardization in the preparation of financial reports across the globe.

2.2 The Role of Accounting Standard in Financial Reporting

According to Adenola, (2011) accounting standards of any country are statements of how particular types of events or transactions should be recorded while making financial reports. Accounting profession, through the issuance of standard provides direction and guidance on how business entity could achieve the goal of proper record keeping, comparability, uniformity, transparency and enhance public confidence in financial reporting (Kantudu, 2006). Accounting standards are generally accepted rules, which have a legal backing to allow for punishing non-conformity, and are establish to provide practical and handy guidance for the conduct of the work of professional accountants (Belkaoui, 2004). So accounting standards are the information system through which financial and monetized information is generated for economic, political and social decisions (Izedonmi, 2001) and are expected to be of the highest quality, this is because the quality of financial reports depends on the quality of accounting standards that are used in making such reports (Adenola, 2011).

The main function of any accounting standard board is to issue accounting standards that are applicable to companies in the private sector of the economy. For those standards to be

effective, a legislative backing must be sort and granted to them which will enforce compliance and guarantee uniformity, which will cause financial reports to possess all qualitative characteristics of good financial information (i.e. relevance, reliability, comparability and understandability). Compliance with standards is crucial, but it is hard to be achieved as many companies chose merely to ignore them (Hogget, et al., 2009). Accounting standards are expected to be complied with in totality or religiously, as any level of non-compliance may bring about accounting distortions that will leads to accounting diversity. Consequently, affect the uniformity of financial statements there by making comparability to become difficult and ultimately reducing the value relevance of financial statements.

2.3 The Concept of International Financial Reporting Standard

International Financial Reporting Standards (IFRS) are set of rules or guidelines issued by London based independent and non-profit making organization called International Accounting Standard Board (IASB). They are market oriented and principle-based set of standard that requires extensive disclosures which should be applied in making financial reporting completely by public companies across the world (Ball, 2006; Chen & Rezaee, 2012; Dimitropoulos et al., 2013; Ismail et al., 2013). International accounting standards were issued between the periods of 1973 until 2000 by the predecessor organization, International Accounting Standard Committee (IASC) which was established by the professional bodies in France, Netherland, Canada, Mexico, Australia, Japan, Ireland, United States And United Kingdom.

The first standard which was called International Accounting Standard (AIS) by then was published in 1975 by the IASC, and since then the process of setting international accounting standard have undergone through numerous changes and reconstructions that give birth to 2001 restructure into the current International Accounting Standard Board (IASB) which is much more better than the predecessor in terms of organizing and funding; and accounting standards to be issued by the IASB should be called IFRS though it continuous to accept the old AIS developed and issued by old standard setter as legitimate standards (Ball, 2006; Srivastava & Bhutani, 2012), while the first IFRS was issued in 2003. A year after the establishment of IASB, European Union directed all companies that are quoted in the capital market of its member states to prepare and present their financial statements using IFRS by 2005. And by now, more than 12,000 corporation in almost 113 nations have adopted IFRS as their reporting standard and many more are willing to adopt or converge to IFRS soon (Chen & Rezaee, 2012; Ramanna & Sletten, 2009).

2.3.1 Objectives of International Accounting Standard Board

The objectives of IASC and IASB are:

i) To design and produce internationally acceptable financial reporting standard of high quality that will cater the needs of divergent stakeholders of an enterprise,

ii) To promote the application and complete compliance with those standard, and

iii) finally to facilitate the process of convergence of financial reporting standard across the world (Ball, 2006; Barth et al., 2008; Srivastava & Bhutani, 2012).

By scoring the board against its stated objectives, one will realize that the IASB so far had make a remarkable development towards achieving its objectives. The board has developed a package of financial reporting standard which if follows religiously will leads to high quality, comparable as well as transparent financial reporting. This was achieved through limiting acceptable accounting methods (alternatives) and reporting information that will portrays entity's economic realities (Ball, 2006; Barth et al., 2008; Dimitropoulos et al., 2013). Increased comparability and relevance of financial reports (Callao, Jarne, & Laínez, 2007; Yip & Young, 2012).

On the issue of promotion of the application and complete compliance with IFRS, IASB has made a huge success as more than 113 countries have adopted the IFRS as their reporting standard. All quoted companies in European Union are required to comply with IFRS in their consolidated financial statements. Security market regulators such as International Organization of National Security Regulators (IONSR) and International Organization of Security Commissions (IOSCO) have permitted their members to adopt IFRS in cross country transactions (like offering shares and listing in foreign market) and many more countries are on the process of complete adoption of IFRS as their reporting standard (Ball, 2006; Barth et al., 2008; Chen & Rezaee, 2012; Ramanna, 2013).

Finally, IASB has made many attempts in establishing and facilitating the process of convergence of financial reporting standard globally. As of now, some countries have made remarkable efforts in narrowing the differences between their local Generally Accepted Accounting Principles (GAAP) with IFRS while retaining their GAAP as major reporting

standard. It was also agreed upon that in a situation where there is no any local GAAP that address a particular issue, IFRS should automatically be adopted in reporting such transactions. And IASB and United States' Financial Accounting Standard Board (FASB) are closely working together towards convergence of US GAAP and IFRS (Chen & Rezaee, 2012; Ramanna & Sletten, 2009; Srivastava & Bhutani, 2012).

2.3.2 IFRS and Fair Value Accounting

Going by record, one will realize that the direction of IASB towards fair value accounting is not something of recent. This can be evident through critical evaluation of some IASs issued by the then IASC before restructuring into IASB. For example IAS 16 (Property, Plant and Equipment) give room for fair value reporting of property, plant and equipment. IAS 36 (Impairment of Assets) demands for assets impairments (both upward and downward) to fair value. IAS 38 (Intangible Assets) demands for impairment of intangible assets to fair value or to be revalue to prevailing market price if situation permit. IAS 39 (Financial Instruments- Recognition and Measurement) provides that all financial instruments with exception to securities held to maturity, loans and receivables that are not held for trading and qualifying hedges should be recorded at their prevailing market price. IAS 40 (Investment Property) provides option for fair value while reporting any investment property. And the same trend continuous after the establishment of IASB with IFRS 2 (Share-Based Payment) provides that all share related payments should be recorded based on their fair value and IFRS 3 (Business Combination) requires for reporting minority interest in the consolidated financial statement as at its fair value. And these movement from historical cost accounting (which favors reliability over relevance) to fair value

accounting (which favors relevancy over reliability) is expected to produce financial statements that are more transparent, relevant, credible and timely (Ball, 2006; Ismail et al., 2013).

Fair value accounting incorporates more information into financial statements which will automatically make them more useful and informative to divergent stakeholders to make numerous economic decisions (such as contractual agreement with managers or lenders, earning forecast for investors and other economic decisions). Fair value accounting reflect the current economic position of the reporting entity and give better chance for assessing the past performance and future prospect of the reporting entity (Dimitropoulos et al., 2013). Though it has its own shortcomings as managers of large corporations can collude and influence the price in an illiquid market and the volatility in the liquid market can easily affect the value of the company (Ball, 2006). Nevertheless, Ball, (2006) Horton & Macve, (2000) Richard, (2004) believed that the main reasons why IASB favors fair value reporting are

i) Value relevance which believed to be the sole aim of any financial reporting.
ii) Recognition i.e the way earnings and loss are recognize and reported in the financial statement.
iii) Closer to reality due to the fact that it incorporates more information about future of the reporting entity.
iv) Addresses the issue of one side fair value accounting that has been in practice for long. The issue of time loss recognition without timely gain recognition favors by

historical cost accounting (e.g lower of cost or market value in stock valuation) has been dealt with by fair value reporting.

2.3.3 Costs and Benefits of IFRS Adoption

The costs and benefits of IFRS adoption may differ from one entity or country to another and some may be the same across the entities or countries (Fox, Hannah, Helliar, & Veneziani, 2013). Some of the IFRS implementation costs as mentioned by Institute of Chartered Accountants' of England and Wales (ICAEW, 2007) include but not limited to establishment of IFRS implementation monitoring committee, costs of new softwares and system, cost of professional consultations, additional external audit costs, training of accounting and other system related staffs, training of internal audit and management, additional cost of tax compliance and reporting, cost of communicating with third parties, renegotiating debt covenant and costs of gathering external data to meet other disclosure requirements. IFRS adoption costs include the cost of extensive technical training for oversight and regulatory body's staff, national standard setters and academic community for the purpose of training future accountants (Fox et al., 2013; Madawaki, 2012; Srivastava & Bhutani, 2012).

Several studies were conducted to determine the effect of IFRS on audit fees and proved evidences concerning the complexity of the new and amended IFRS/IAS, which leads to increase in audit pricing in order to compensate for the increased audit effort due to high technicalities associated with IFRS based financial reports (De George, Ferguson, & Spear, 2013; Fox et al., 2013; Madawaki, 2012; Srivastava & Bhutani, 2012; Yaacob & Che-

Ahmad, 2012). Implementing IFRS in developing countries will face challenges including the development of a legal and regulatory framework, training of personnel, and awareness campaign. (Isenmila & Adeyemo, 2013; Madawaki, 2012; Srivastava & Bhutani, 2012). Switching costs may be high more especially in the countries with well-established national standard (Ramanna & Sletten, 2009), cost of awareness and investors training on new format (Madawaki, 2012; Srivastava & Bhutani, 2012) and political and agency costs may differ in line with the personal interest and the extent of managers investment in a business (Fox et al., 2013). While some costs are indirect, such as information disclosure that may lead to questioning the ability of entity's management or such that may put potential investors to shun away investing in that entity (Fox et al., 2013).

On the other hand, the benefits of IFRS adoption can be seen from different angles ranging from countries, entities, investors and other stakeholders of financial reporting. According to report of Financial Reporting Council of Nigeria (FRCN, 2010) on the roadmap on IFRS adoption in Nigeria, IFRS reduces the costs of cross border businesses through reduction in the cost of additional information; make financial reports more comparable, thereby enhancing business analysis and evaluation by users of such reports. it increases user confidence in financial reports which will invariably promote efficient resource allocation and significant reduction in cost of rising capital across the world. Looking at the benefits from the country's perspective, IFRS attract more foreign direct investment to developing nations since more information regarding the risks and prospects of projects/entity will be disclose to international investors and reduction in the costs of doing business (FRBN, 2010; Madawaki, 2012), improve regulatory oversight and enforcement on compliance

with laid down standard of financial disclosure, increase credibility, comparability, transparency and improved economic prospect of accounting profession (Srivastava & Bhutani, 2012) and can be effectively used in promoting and enforcing environmental reporting (Negash, 2012).

The benefits of IFRS adoption from the reporting entity's view point is that IFRS reporting facilitate cross border listening which help in lowering the overall cost of capital of the company (Fox et al., 2013; FRBN, 2010; Madawaki, 2012; Ramanna, 2013; Srivastava & Bhutani, 2012), reduces reporting costs (Ball, 2006; Fox et al., 2013; Ramanna, 2013), better management control through ease of internal communication of financial information and facilitates benchmarking with global competitors (FRBN, 2010; Srivastava & Bhutani, 2012). Investors and other stakeholders of financial reporting will also benefit from IFRS adoption as it promises more accurate, comprehensive and timely financial information; helps in making accurate earning forecast, small investors will get all their financial information needs from a set of financial report without spending more money on additional information (Ball, 2006), reduces business analyses and evaluation costs (FRBN, 2010; Madawaki, 2012) provide better and more profitable global investment opportunities and improve comparability of financial reports globally (Fox et al., 2013). IFRS adoption will also reduce information asymmetric within investors which will leads to increase in market efficiency as well as improvement in stock price liquidity.

2.3.4 Factors Affecting IFRS Adoption Globally

Some of the factors affecting the adoption of IFRS include nature of government involvement in the economy, legal system and politics of government involvement in financial reporting practice (Ball, 2006), education level, economic growth, existence of capital market and the degree of openness of the economy to external markets (Zeghal & Mhedhbi, 2006). Others include structure of corporate governance and training, independence and compensation of external auditors. Bova & Pereira (2012) analyze the factors affecting compliance with IFRS in developing countries using two set of samples of private and public companies in Kenya and found that while both private and public companies are required to comply with IFRS, public companies exhibit greater compliance. They also established positive relationship between foreign ownership and share turnover which prove the influence of market openness on IFRS compliance. In determining the factors affecting preparedness of unlisted companies to adopt IFRS, Guerreiro, Rodrigues, and Craig, (2012) found that involvement of parent company in conversion process, foreign ownership, export related activities and mimetic behaviors positively influence the preparedness of unlisted companies in adopting IFRS.

2.4 Research Variables

The variables measured in this research include value relevance of financial reports (consistent with the works of Barth, Landsman, & Lang, 2008; Chua, Cheong, & Gould, 2012; Dimitropoulos, Asteriou, Kousenidis, & Leventis, 2013; Müller, 2014; Palea, 2013; Samarasekera, Chang, & Tarca, 2012), earning management (consistent with the works of Ahmed, Neel, & Wang, 2013; Barth et al., 2008; Chua et al., 2012; Dimitropoulos et al.,

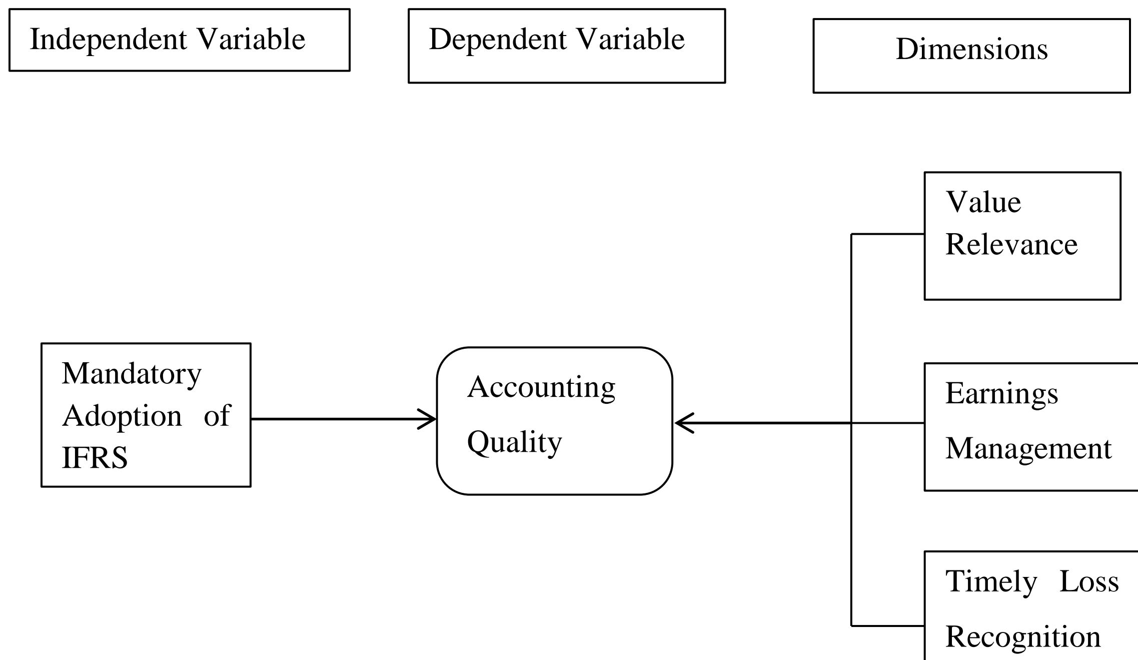
2013; Samarasekera et al., 2012) and timely loss recognition (consistent with the study conducted by Ahmed, Neel, & Wang, 2013; Barth et al., 2008; Chua et al., 2012; Dimitropoulos et al., 2013; Samarasekera et al., 2012) which serve as proxies of accounting quality and IFRS on the other edge.

2.5 Research Framework

The research framework for this study is adapted from the work of Barth et al., (2008) and modified by the researcher in the process of building models that will measure the dimension of the dependent variable.

Figure 2.1

Research Framework



2.6 IFRS and Accounting Quality

The main goal of IASB is to develop a world-wide acceptable set of high quality accounting standard. In order to achieve this objective, IASB has issued accounting standards that eliminated many accounting (alternatives) methods with a view to increase comparability of financial reports, limit managerial discretions on earning smoothing or overstatements. The standards require extensive disclosures in the content of financial report so as to provide investors with relevant information that will aid investment decision making process (Barth et al., 2008), hence improving the overall accounting quality. Accounting quality can be increase by either changing to better financial reporting standard or through increase/tight enforcement of existing standard (Ahmed et al., 2013). For a country that adopts IFRS as reporting standard, overall accounting quality will be high if IFRS is of higher quality than existing local standard, holding the enforcement level constant and the reverse will be the case where local standards are of better quality than IFRS (Christensen, Hail, & Leuz, 2013).

The impact of mandatory adoption of IFRS on accounting quality depends on whether IFRS are of higher quality or lower quality than local standards. Higher quality standards are those that can limit managerial discretions over choice of accounting methods and eliminate income smoothing or overstatement there by making financial reports to reflect the firm's actual economic position (Ahmed et al., 2013; Barth et al., 2008; Chua et al., 2012; Dimitropoulos et al., 2013). Though there is no consensus on what constitute accounting quality, but for the purpose of this research work accounting quality metrics based on value relevance, earning management and timely loss recognition which was

developed and used in many researches (Ahmed et al., 2013; Barth et al., 2008; Chua et al., 2012; Dimitropoulos et al., 2013; Lin et al., 2012; Samarasekera et al., 2012) will be adopted. Barth et al. (2008) argued that the main advantage of this metrics is that first can be used to trace the source of accounting quality differences between two periods under study (viz before and after the adoption of IFRS), and secondly this method can give room for ruling out predictions for some of the metrics based on predictions from another metric that will help in getting the real impact of IFRS on accounting quality. Based on the above mentioned metrics, period with high value relevance, earnings with less management discretions and more frequent loss reports will be said to be of high accounting quality.

2.6.1 IFRS and Value Relevance

The first known study to describe the association between accounting numbers with market share price or return was (Amir, Harris, & Venuti, 1993). Since the establishment of IABS, several researchers have investigated the impact of IFRS adoption on value relevance of financial statements (Alali & Foote, 2012; Kargin, 2013; Kim, 2013; Palea, 2013, 2014; Tsalavoutas, André, & Evans, 2012; Zéghal et al., 2011) based on the fact that value relevance studies are designed in order to evaluate whether information disclose in financial statements can serve as a basic source of information to investors in determining equity value of the firm (Barth et al., 2001). Some researchers have adopted value relevance as one of the metrics of accounting quality (Ahmed et al., 2013; Barth et al., 2008; Dimitropoulos et al., 2013). In accounting literature, amount is term as value relevant if it has a power to predict or has a predicted association with share price or return (Barth et al., 2001).

Value relevance can be define as ability of financial reports to disclose all the necessary information that can convey and summarize the actual firm's value (Kargin, 2013). It can be measured through the use of statistical tools to determine the statistical relationship between information disclose in financial reports and share price or return of the reporting entity. Barth et al., (2008) using the sample of 21 countries that adopted IAS between 1994 until 2003 found a higher association between accounting numbers with stock market price and return. Empirical evidences proved that the use of IFRS has increased the value relevance of financial reports in an emerging market (Alali & Foote, 2012).

A research conducted in Australia by Chua et al., (2012) based on top firms by market capitalization quoted on the floor of Australian Stock Exchange using 1376 firm year observation proved that financial reports prepared under IFRS are more value relevance. Samarasekera et al., (2012) using the sample of 495 UK listed firms for the period of ten years (2000-2009) reveal an improvement in the value relevance of financial statements using IFRS over non-IFRS reports. In the same vain, Dimitropoulos et al., (2013), Kargin, (2013) and Palea, (2013) in their respective studies find an improvement in value relevance of financial statements after the adoption of IFRS. Kim, (2013) document that the financial reports of Russian firms that are listed in London Stock Exchange using IFRS are more value relevant than their counterpart that report under Russian standard.

Despite the above positive results on IFRS adoptions, Gjerde et al., (2008) use the sample of 145 restatements to IFRS from Norwegian GAAP to examine whether IFRS figures

correlate more strongly with share price than corresponding Norwegian GAAP figures and find little evidence of increase after the adoption of IFRS, though there are statistical evidences the reconciliation adjustments to IFRS are marginally value relevant. Ahmed, Chalmers, and Khlif, (2013) while conducting a meta-analysis of IFRS adoption effects document that value relevance of book value has not improved with the adoption of IFRS but that of earnings has improved when assessed using price model after controlling for other factors such as legal origin, auditing and other enforcement regimes. Lin et al., (2012) and Tsalavoutas et al., (2012) find a contradicting result, the former using the sample of German tech firm find that switching from US GAAP to IFRS produce less value relevant report, which implies that US GAAP reports are of high quality than their IFRS counterpart. The latter using the sample of all non-financial firms listed on Athens Stock Exchange document that there is no significant change in the explanatory power of value relevance regression between pre adoption and post adoption periods. Palea, (2014) using Italian firms to study the impact of IFRS adoption on value relevant for separate financial statements documents that separate financial statements provide investors with relevant and useful information regardless of the accounting standard used in making such statements, however, his findings indicate that IFRS adoption does not increase value relevance for separate financial statements.

Callao, Jarne, and Laínez, (2007) used the sample of IBEX-35 companies to measure the effect of IFRS adoption on comparability and relevance of financial reporting in Spain and find that the gap between book value and market value is wider when IFRS are adopted which implies that there has been no any improvement in the financial reporting to local

market operators. Ahmed et al., (2013) use sample of broad set of firms from 20 countries that adopt IFRS as reporting standard in 2005 against those that did not adopt to assess whether mandatory adoption of IFRS has improve accounting quality and find that IFRS firms exhibit high degree of earning smoothing, higher accruals reporting and decrease in timely loss recognition compared to non-IFRS firms.

Several researches have been conducted and justified that the mixed results could be as a result of varying degree of legal enforcement, voluntary adoption before made compulsory (Aharony, 2010; Ahmed et al., 2013; Barth, Landsman, Lang, & Williams, 2012; Christensen et al., 2013; Daske, Hail, Leuz, & Verdi, 2008; Samarasekera et al., 2012), methodological approach in conducting the research (Soderstrom & Sun, 2007; Tsalavoutas, Evans, & Smith, 2010) or individual firm's incentives for IFRS adoption (Christensen, Lee, & Walker, 2008). Voulgaris and Walker, (2011) argue that IFRS may make financial statement value relevant at the expense of other stakeholders e.g. stewardship/ performance contracting or evaluation. In light with the above studies reviewed related to the value relevance and international financial reporting standard, this study hypothesizes that

H1: Mandatory adoption of international financial reporting standard increases the value relevance of financial reporting in Nigeria.

2.6.2 IFRS and Earning Management

Several researchers believe that quality of the content of financial statements is determined by economic, political and institutional factors of manager and/or auditor incentives

(Gordon, Jorgensen, & Linthicum, 2010; Leuz, Nanda, & Wysocki, 2003; Warfieid et al., 1995) and Hamid, Hashim, and Salleh, (2012) believe that intention to enhance the confidence of stakeholders and pressure from affiliated parties are part of the motives behind earning management. It is believed that earning management is generally motivated by the extent, important role and functions played by the reported earnings in the financial reports, which include management compensation plan, bonus contract, valuation of firm, valuation of initial public offer, debt covenant, negotiation with labor unions to just mention but a few.

Earning management can be define as deliberate actions by the management within the boundaries of generally accepted accounting principles to achieve a predetermine reported earnings (Ismail et al., 2013). Healy and Wahlen, (1999) opine that earning management take place when manager use personal judgment in financial reporting and restructuring transactions to manipulate financial reports to either mislead investors and equity holders on the actual performance of the company or to influence the outcome of contractual arrangements that are based on the reported earnings. The more reported earnings deviate from what it ought to be, the lower the quality of such reported earnings. This is consistent with several studies (Ahmed et al., 2013; Barth et al., 2008; Chua et al., 2012; Dimitropoulos et al., 2013) that view earnings quality as such reported earnings that are free from earnings management. Analysts view earnings as of high quality when it reflect actual current operating performance, serve as good index for projecting future cashflow and portrays the actual market value of the reporting entity (Dechow & Schrand, 2004). Goncharov and Zimmermann, (2006) argue that accounting standards provide users with

different number of choices, and therefore, there application may result in different reported earnings quality. As every accounting choice has its-own costs and these costs raises if changes in accounting choices are exercised frequently, and earning management is expected to be high in a regime that create avenue for making some judgment.

Capkun, Collins, and Jeanjean, (2013) believe that IFRS that went into effect in 2005 give room for many accounting choices to a single transaction and provides for many subjective judgments in reporting, hence it will lead to reported earnings with high management discretions. Ismail et al., (2013) investigate the difference in earning quality of Malaysian companies after the mandatory adoption of IFRS as reporting standard even though named as Malaysia Financial Reporting Standard (MFRS) and find that there are improvements in the earning quality after the adoption of IFRS due to lower earning management.

But in contrast to this, Goncharov and Zimmermann, (2006) investigate whether the level of earning management differs among the three accounting standards that listed companies can use in their financial reporting (namely, German GAAP, IFRS and US GAAP), the finding was that earnings management of financial reports produced using US GAAP is significantly lower than that of IFRS and German GAAP and the level of earnings management between IFRS and German GAAP is almost the same. This goes with the findings of several studies as IFRS can only increase accounting quality in a countries where their local GAAPs are of less quality than IFRS. In the same direction, Lin et al., (2012) examine whether accounting quality change after the switching from US GAAP to IFRS by German firms and document that accounting numbers exhibit more earning

smoothing after the change, which on the overall applied that US GAAP resulted in higher earning quality than IFRS.

Doukakis, (2010) examines the earning components and earning persistent of the listed firms in Athens Stock Exchange after the adoption of IFRS and document decreases in earning persistent and earning component as a result of the failure of IFRS measurement and reporting guidelines in improving them. It is also evident that mandatory adoption of IFRS had no significant effect on real or accrual-based earnings, but firm's earning management incentives has a dominance role in shaping financial reporting quality than accounting standard (Doukakis, 2014).

Nevertheless, Barth et al., (2008) Zéghal et al., (2011), Soderstrom & Sun, (2007) and Dimitropoulos et al., (2013) conducted their studies within European countries and document that financial reports prepared using IFRS exhibit less earning management. Recently, Houqe, Easton, & van Zijl, (2014) conducted study in a civil law countries where negative effects were recorded during early adoption period (Germany, France and Sweden) and the result from the analysis suggest that mandatory adoption of IFRS improve information quality in this countries. Several researchers investigate the causes of these mixed results and suggest that the mixed results may be due to difference in methodological approaches to the studies, level of enforcement, incentives, corporate governance, period of study and other economic, political and institutional factors that may affect the financial reporting quality (Ahmed et al., 2013; Bova & Pereira, 2012; Christensen et al., 2013; Doukakis, 2014; Zéghal et al., 2011).

In line with the above mixed results documented by several researches, the researcher hypothesized that

H2: Mandatory adoption of international financial reporting standard decreases the earning management in financial reporting in Nigeria.

2.6.3 IFRS and Timely Loss Recognition

The nature of the country's accounting standards and legal system (i.e. whether Continental model or Anglo-Saxon model) determine the timeliness and value relevance of its financial reporting (Conover, Miller, & Szakmary, 2008). Timely loss or gain recognition must take place before the actual cash flow, so it requires accounting accruals, which implies timely revision of reported equity book value and value of asset and liability in the statement of financial position. Given the transitory nature of income, the less timely accounting system is in economic income recognition, the more noises are included in income statement and statement of financial position figures, thereby, reducing the overall financial reporting quality (Ball, Robin, & Wu, 2003).

Ball and Shivakumar, (2006) argue that timely loss or gain recognition increases the usefulness of financial reporting, even though, it may amount to earnings smoothness which is generally believed to be an index of lower earnings quality since it will be rare to recognize large loss in a single year. And it is believed that asymmetry in good and bad news recognition (quicker loss recognition than gain recognition) is more in common law countries than in code law countries due to their differences in the level of investor

protection (Ball et al., 2000). Jayaraman, (2012) examine the influence of insider trading laws on timely loss recognition in sixteen countries as first-time enforcement and find that consistent with previous results which suggested that greater enforcement increases the usefulness of accounting information, first-time enforcement of insider trading laws has a strong positive relationship with timely loss recognition since no such increase is evident in other non-enforcing countries.

Paananen, (2008) collected data of 376 firm from the Worldscope data to examine the IFRS adoption's effect on accounting quality in Sweden for the period of 2003 until 2006. Using the sample of 290 Swedish GAAP firm year observation and IFRS sample of 255 observation, he finds that there is decrease in timely loss recognition after the adoption of IFRS and on overall, he finds a stronger evidence that there is decrease in accounting quality in Sweden after the mandatory adoption of IFRS in 2005. Paglietti, (2010) use the data derived from the consolidated financial statement and stock price of 92 Italian firms listed on the floor of Italian Stock Exchange, with total of 552 firm year observation for the total period of 2002 until 2007 to examine the accounting quality in Italy after the adoption of IFRS as a reporting standard in 2005. He finds that firms are less likely to recognize large loss under IFRS which can be translated into increase in earning smoothing that have been regarded as a sing of decrease in accounting quality. And this is consistent with the findings of Ahmed et al., (2013) and Lin et al., (2012) which document decrease in accounting quality after the IFRS adoption.

Samarasekera et al., (2012) document that there is no any improvement in measures of earning management and timely loss recognition within UK. However, there is improvement in measures of earning management and timely loss recognition in cross-listed firms (mostly listed in US and Germany) which is indicator of increase in efficiency in capital market operations after the adoption of IFRS. Contrary to this, several studies find an increase in timely loss recognition in particular and accounting quality in general. Some of these studies include (Barth et al., 2008; Chua et al., 2012; Dimitropoulos et al., 2013) all of whom are conducted in Europe and Australia. In view of this there is need to conduct a study in developing country like Nigeria to assess the impact of IFRS adoption on timely loss recognition in developing countries. Based on these reviewed literature, the study hypothesizes that

H3: Mandatory adoption of international financial reporting standard increases the timely loss recognition by the financial reporting in Nigeria.

2.7 Underpinning Theory

2.7.1 Agency Theory

Agency theory suggests that in modern organizations in which ownership is widely spread to large number of shareholders, the activities of management depart from maximizing the wealth of the owners (shareholders). The key assumption in agency theory is the divergent of interest between the contracting parties (Hill & Jones, 1992). Under agency theory, shareholders are principals while managers are agents. The term agency loss is the difference between actual return (produce by agent) and the amount that shareholders

would have earned as return if they served as managers and manage the organization effectively (Donaldson & Davis, 1991). The theory identified some incentive schemes that can be used to mitigate agency loss such as bonus shares to senior executives or offering shares at a special price to them or to tie part of the executives' compensation plan to future value of the organization so as to align their financial interest with that of the shareholders in maximizing the value of the organization.

Based on this theory, management (agents) has to provide the detail account of their stewardship to the providers of capital (principals) who authorized them to act on their behalf. This is done through the medium of financial report; which report the financial activities and engagements of the organization to the users of such statements. This is the main reason why IFRS are centered towards fulfilling the needs of investors. It is believed that investors are the primary users of such report, so all necessary information and disclosures that will assist them in assessing the financial position and efficiencies of their agents (management) must be disclose in the set of financial statements.

2.7.2 Stakeholders Theory

Stakeholders theory believed that the reporting responsibility of firm have gone beyond the shareholders alone to reach the other parties with stake in one way or the other in the activities of the firm. Stakeholders can be defined as any party that can influence or be influence by the activities of a firm. They include shareholders, debt holders, managers, employees, government, customers, suppliers, surrounding community and general public in which in one way or the other provide the firm with crucial resources (Verstraete, 2006).

Even non-financial stakeholders of the firm can strongly affect the capital structure of the firm (Bae, Kang, & Wang, 2011). So if that is the case, they have the right to be provided with relevant information that will enable them to take a rational decision regarding the firm.

In order to address some of the information needs of the firms' stakeholders, IASB has formulated some accounting standards that are dedicated towards protecting the interest of such non-financial stakeholders. Examples of these standards are IFRS 2 share-based payment, IAS 12 income tax, IAS 17 Lease, IAS 19 and Employee benefits which are meant to provide special information to the party concern.

2.8 Summary of the Chapter

In this chapter, the concept of financial reporting was defined and discussed based on the findings and views of previous researchers. The role of accounting standards in financial reporting was reviewed, in which we find that the quality of financial reports depend on the quality of accounting standards that are used in generating and producing such reports and compliance with accounting standards will make financial statement to have the qualitative characteristics of good information. The concept of IFRS was also discussed since from the inception of IASC up to the establishment of IASB, and IASB was scored against its stated objectives based on the existing research finding available at hand. The relationship between IFRS and fair value reporting was also considered in the review based on the fact that most of the current IFRS are tailored towards fair value accounting, the costs and benefits of IFRS adoption were considered through the assessment of the studies related to

the heading and finally on the independent variable factors affecting IFRS adoption internationally were reviewed.

From the dependent variable side, the concept of accounting quality in relation to IFRS was reviewed based on the accounting quality metric developed and used by several studies. Mixed results are documented in all of the three metrics namely value relevance of financial reports, earnings management/earnings smoothing and timely loss recognition. And the chapter was concluded with the underpinning theories related to financial reporting viz agency theory and stakeholders theory.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter covered the research design adopted by the researcher in the process of conducting the research work. It also covers items as population, population of interest, target population, data collection, sampling method, sample size, method of data collection, measurement of research variables, method and tool for data analysis.

3.1 Population

The population of this study constitutes all companies in Nigeria that registered with Corporate Affairs Commission (CAC) as a legal entity in Nigeria. This is based on the fact that the main objective of this study is to assess the impact of mandatory IFRS adoption on accounting quality in Nigeria.

3.1.1 Population of Interest

The population of interest for this research work covered the whole one hundred and ninety five (195) companies listed in Nigerian stock exchange that are mandated to adopt IFRS as their reporting standards with effect from 2012 accounting year, regardless of the industry to which they belong. This is for the fact that the main objective of the study is to assess the impact of mandatory adoption of IFRS as financial reporting standard on accounting

quality in Nigeria. All members of the population of interest were arranged in such a way that each individual member of the population can easily be identified (see appendix F).

3.1.2 Target Population

The target population of this research work was the entire companies listed on Nigerian stock exchange with exception of companies that operate in the financial service sector of the market. The exclusion of financial service companies is based on peculiarities associated with their reporting system and the fact that there are other operating laws and regulators that control their reporting system not IFRS alone. Change in reporting standard may not necessarily affect their accounting quality (Chua et al., 2012; Dimitropoulos et al., 2013; Tsalavoutas et al., 2012).

3.2 Data Collection

In any research of this nature, the issue of procedure for data collection and method of data collection should be handled with utmost care, as the quality of the research findings depend on the quality of the data generated and used in inferring such findings. All of the data used in this study came from secondary sources and mostly from the annual reports and account of the listed companies in Nigerian Stock Exchange.

3.2.1 Sampling Method

In order to achieve the research objectives, convenient sampling method was employed in selecting the sample companies that were used in data collection from the list of the companies listed in Nigerian Stock Exchange. This is based on the fact that it enabled the

researcher to select the companies with full market and accounting data necessary for the good conduct of the research, which probability sampling method cannot do. Convenience sampling method best suites the research of this nature as suggested by Sekaran and Bougie (2010).

3.2.2 Sampling Size

Sampling size for this research consisted of all companies listed on Nigerian Stock Exchange with the exception of financial service companies. The study considered only non-financial service companies listed on Nigerian Stock Exchange at least one year both before and after the adoption of IRFS as financial reporting standard (i.e. 2011 and 2012) and have full annual data on stock price, sales, reported earnings, total assets, property plant and equipment, total debt, cashflow from operations and common equity. Other companies that fail to meet the above stated criteria were excluded from the sample frame of this study. Table 3.1 and 3.2 present the sample selection procedure, break-down and analysis of industry composition of sample size of this research.

Table 3.1

Sample Selection Procedure

Panel A Sample selection Procedure	
Companies listed in the Nigerian Stock Exchange	195
Less: Financial service companies	58
Non-Financial companies	137
Less: Companies with incomplete accounting data	25
Non-Financial companies with all accounting data	112
Less: Companies with incomplete market data	4
Final companies studied and analyzed in the study	**108**
Number of years	2
Total observation	**216**

Table 3.2

Panel B: Industry distribution

Industries	Observations
Agriculture	5
Conglomerates	6
Construction/real estate	8
Consumer goods	22
Healthcare	10
ICT	6
Industrial goods	19
Natural resources	5
Oil and gas	8
Services	19
Total Companies	**108**
Number of Years	2
Total observation	**216**

3.2.3 Method of Data Collection

This study like other previous related studies on accounting quality generated relevant data for analysis from the annual reports and accounts of the sampled companies listed on the floor of Nigerian Stock Exchange. Some of the data utilized by this study were collected from fact books of Nigerian Stock Exchange, website of Nigerian Stock Exchange, Thomson routers database, individual companies' website and other available source from

internet. In order to ensure the currency of this study, the study used the latest available data from all of the above named sources of data.

3.3 Measurement of Research Variables

The research variables were measured using the models developed and used in the related previous studies. Each research variable was measured with the appropriate model(s) which was/were adopted and/or adapted from previous studies so as to have a reliable and well accepted inference.

3.3.1 Value Relevance

This study adopted a modified price model (Ohlson, 1993) in measuring value relevance of financial report which consist two variables from the major reports of financial statement (namely income statement and statement of financial position) as adopted by many studies. The model were adopted to measure the relationship between market value per share of the company with the two main variables from financial statement namely, book value per share from statement of financial position and earning per share from income statement as adopted from (Kargin, 2013: 5).

$$MVPS_{it} = \alpha_0 + \beta_1 BVPS_{it} + \beta_2 EPS_{it} + \varepsilon_{it} \qquad \text{equation (1)}$$

Where:

$MVPS_{it}$ = Market Value per Share of firm i at time t/Stock market price per share.

$BVPS_{it}$ = Book Value per Share of firm i at time t.

EPS_{it} = Accounting Earning per Share of firm i at time t.

The second model adopted from the same author was employed in order to measure the relationship between the stock market price per share of the firms that reported positive profit this time around with accounting variable viz book value per share and earnings per share of those positive profit firms.

$$MVPS_{+it} = \alpha_{+0} + \beta_{+1}BVPS_{it} + \beta_{+2}EPS_{it} + \varepsilon_{+it} \qquad \text{equation (2)}$$

Where

Positive sign (+) is an indication of only positive figures were include in the model

The third model was constructed in order to capture and measure changes in value relevance of financial report data after the mandatory adoption of IFRS as adopted from (Kargin, 2013: 5). B_3 and β_4 coefficients were introduced to represent the differences between book value and earning per share for both pre and post IFRS adoption periods. Positive value change in the coefficients signals the improvement in value relevance while negative value means decrease in value relevance of accounting data after the IFRS adoption. In order to detect the changes in value relevance before and after the adoption of IFRS, dummy variable D was introduced, '0' is used for pre-adoption period and '1' is used for post adoption period.

$$MVPS_{it} = \alpha_0 + \alpha_1 D + \beta_1 BVPS_{it} + \beta_2 EPS_{it} + \beta_3 DBVPS_{it} + \beta_4 DEPS_{it} + \varepsilon_{it} \qquad \text{equation (3)}$$

3.3.2 Earnings Management

In order to measure the difference in earnings management for both pre and post IFRS adoption period, this study employed the models used by (Barth et al., 2008; Chua et al., 2012). The first smoothing metric is the variability in the change of annual net income ΔNI

scaled by total asset (in order to mitigate the effect of size among the sampled firms). This is designed to locate existence of earning smoothing, and any small variance in net income can be interpreted as earning smoothing. However, reported income can be sensitive to number of factors that cannot be attributed to IFRS adoption. For this reason many variables that affect earnings management as identified by previous studies were included in the model in order to limit the compounding effect of these economic environment and other incentives before defining the result as effect of mandatory adoption of IFRS. This earning metric represents the variance of the residual from the regression of ΔNI scaled by total assets. This is depicted in equation (4) as adapted from (Barth et al., 2008; Chua et al., 2012).

$$\Delta NI = \alpha_0 + \beta_1 SIZE_{it} + \beta_2 GROWTH_{it} + \beta_3 EISSUE_{it} + \beta_4 LEV_{it} + \beta_5 DISSUE_{it} + \beta_6 TURN_{it} + \beta_7 CF_{it} + \beta_8 AUD_{it} + \varepsilon_{it} \quad \text{equation (4)}$$

Where

ΔNI = Change in annual net income

SIZE = Natural logarithm of the market value of equity

GROWTH = Percentage change in sales.

EISSUE = Percentage change in ordinary shares.

LEV = Total debt divided by total book value of equity.

DISSUE = Percentage change in total liabilities.

TURN = Sales divided by total asset.

CF = Cashflow from operation divided by total asset.

AUD = Dummy variable equal to 1 if the company is audited by one of big 5 auditing firms.

The above equation is regressed separately for pre and post IFRS adoption periods and the variance of the two residual generated from the equation are calculated before been compared with each other.

The second metric for detecting earnings management was based on the mean ratio variability of the change in net income to the variability of change in the cash flow from operation. This is for the fact that despite the number of control variables inserted in the first measure some variables are more pressing than other, the effect of cashflow on the firm's net income is prevalent. Hence, net income of the firm should be volatile if the firm's cashflow is volatile. If management uses accrual in earning management, the volatility of the firm's net income will be lower than that of cashflow from operations which is clear indication of earnings management. Therefore, this metric extends the analysis of the previous one through benchmarking the ratio of variability of the change in the annual net income (ΔNI) to variability of the change in cashflow from operations (ΔCFO) as presented below.

$$\frac{\text{Variability of } \Delta NI^{H}}{\text{Variability of } \Delta CFO^{H}} = \frac{\sigma^2 \text{ Error } (\Delta NI)I}{\sigma^2 \text{ Error } (\Delta CFO)I} \qquad \text{equation (5)}$$

Where

ΔNI^{H} = Residual from regression of ΔNI on the control variables in equation (4)

ΔCFO^{H} = Residual from regression of ΔCFO on the control variables in equation (5a)

Like net income, cashflow from operations can be influence by many factors, in order to control the effect of this factors ΔCFO is regressed on the following control variables

$$\Delta CFO_{it} = \alpha_0 + \beta_1 SIZE_{it} + \beta_2 GROWTH_{it} + \beta_3 EISSUE_{it} + \beta_4 LEV_{it} + \beta_5 DISSUE_{it} + \beta_6 TURN_{it} + \beta_7 CF_{it} + \beta_8 AUD_{it} + \varepsilon_{it} \quad \text{equation (5a)}$$

Just like the first metric the above equation is regressed separately for pre and post IFRS adoption periods and the variance of the two residual generated from the equation is calculated before calculating the ratio for the two periods.

The third metric used by the study in order to measure the manipulation of earnings towards positive profit or target. Both pre and post adoption observations were pooled together in order to ascertain the frequencies of small profit (SPOS). Following the work of Barth et al., (2008) and Chua et al., (2012) a dummy variable for small profit was used which is set to 1 for observation which annual net income scaled to total assets is between 0 and 0.01, and 0 if otherwise. And POST variable was used as independent variable together with other control variables, a negative coefficient of POST is an indication that SPOS are less frequently reported in the post adoption period while positive coefficient indicates otherwise.

$$SPOS_{it} = \alpha_0 + \beta_1 POST_{it} + \beta_2 SIZE_{it} + \beta_3 GROWTH_{it} + \beta_4 EISSUE_{it} + \beta_5 LEV_{it} + \beta_6 DISSUE_{it} + \beta_7 TURN_{it} + \beta_8 CF_{it} + \beta_9 AUD_{it} + \varepsilon_{it} \quad \text{equation (6)}$$

Where

SPOS = dummy variable equals 1 for observation which annual net income scaled to total assets is between 0 and 0.01, and 0 if otherwise.

POST = dummy variable equals 1 for observation in post adoption period and 0 for pre adoption period.

3.3.3 Timely Loss Recognition

Many studies have document firms' reluctance to report large loss in a timely manner (Ball et al., 2003; Lang & Raedy, 2003; Leuz et al., 2003). Timely loss recognition will be measured using the model developed by (Basu, 1997) adopted and modified by (Barth et al., 2008) to measure the effect of IFRS adoption on accounting quality. A positive coefficient of large negative income (LNEG) in the following equation indicate that firms report large losses more frequently after the adoption of IFRS as reporting standard and negative indicate otherwise.

$$POST = \alpha_0 + \beta_1 LNEG_{it} + \beta_2 SIZE_{it} + \beta_3 GROWTH_{it} + \beta_4 EISSUE_{it} + \beta_5 LEV_{it} + \beta_6 DISSUE_{it} + \beta_7 TURN_{it} + \beta_8 CF_{it} + \beta_9 AUD_{it} + \varepsilon_{it} \quad \text{equation (7)}$$

Where

LNEG = dummy variable equal to 1 if net income scaled by total asset is less than - 0.20 and zero if otherwise.

POST = dummy variable equals 1 for observation in post adoption period and 0 for pre adoption period.

3.4 Methods and Tool for Data Analysis

To examine the impact of mandatory adoption of IFRS on accounting quality in Nigeria, quantitative methods were employed in analyzing the data collected from the sampled

companies and other sources of data collection used in the process of good conduct of this research work.

3.4.1 Descriptive Statistics

Descriptive statistics was conducted in order to condense and summarize the data to a concise and more meaningful manner that facilitate a clear insight to a level of accounting quality in Nigeria. The techniques of descriptive statistics employed in this research include mean, standard deviation, minimum and maximum value. Soderstrom and Sun (2007), Barth et al., (2008), Chua et al., (2012) and Dimitropoulos et al., (2013) used the same technique in analysis of the data generated for their respective research work.

3.4.2 Correlation Analysis

Correlation analysis has been utilized in this study to measure the strength of relationship between research variables in order to mitigate the effect of multicollinearity among the research variables as suggested by many research scholars. This study used Pearson product-moment coefficient in order to explain the magnitude of the relationship among the research variables. And statistical significant level of ($p < 0.05$) will adopted as benchmark in order to determine the strength of the relationship.

3.4.3 Regression Analysis

Multiple regressions have been conducted on all of the models adopted or adapted from the previous studies in order to examine the relationship between the variables in the models. The analysis were conducted with a view to identifying whether the independent variables

will be able to predict or influence the behavior of the criterion (dependent) variables in all of the above constructed models. In order to achieve this, the study subscribed to the all of the assumptions of multiple regressions namely, sample size, linearity, and multicollinearity as violation of any one or more of the assumption may lead to biased statistical result. The use of multiple regression is the tradition of accounting researches in the area of assessing the impact, so this study, like any other previous studies Ahmed et al., (2013) Barth et al., (2008) Capkun et al., (2013) Dimitropoulos et al., (2013) Gjerde et al., (2008) Houqe et al., (2014) Ismail et al., (2013) and many more studies believed that regression analysis on the constructed equation to be the best estimate of dependent variable based on the behavior of the independent variables.

3.4.4 Tool for Data Analysis

This study used the Statistical Package for Social Science (SPSS) statistical package to operationalize the technique stated above namely descriptive statistics, correlation analysis and regression analysis. The use of the statistical package have assisted the researcher in generating a significant level that will be used in determining the coefficients, r square and residuals that served as the basis of acceptance or rejection of the research hypothesis, and it make it easier for the researcher to generate descriptive results.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.0 Introduction

In this chapter, the data gathered through the methodological approaches stated in the previous chapter were sorted and presented in a logical way by using the appropriate tools for data presentation in order to give way for making analysis and right inferences therefrom. Profile of the sampled firm was displayed in one section, followed by descriptive and correlation analysis. Multiple linear regression analysis was conducted with a view of testing research hypothesis which pave way for the assessment of the impact of mandatory adoption of IFRS as a financial reporting standard in Nigeria on accounting quality through the use of value relevance, earnings management and timely loss recognition as a dimension of accounting quality.

4.1 Sample Profile

Sample profile are the members of the universe that are taken to represent the whole population of the study upon which the result of the data collected from them after analysis should be used as a basis for generalization. The sample of this study was drawn from all sectors and sub-sectors of the Nigerian Stock Exchange excluding the financial service sector, ranging from agricultural sector, conglomerate sector, construction and real estate sector, consumer goods sector, healthcare sector, information and communication technology sector, industrial goods sector, natural resources sector, oil and gas sector and

services sector of the Nigerian economy. The exclusion of financial service sector was as a result of the justifications presented in the previous chapter which is in tandem with research of this nature (details in appendix F).

4.2 Descriptive Statistics

Descriptive statistics being quantitative tools which are used in order to describe, examine or summarize the important behavior of the research data with a view to organize and present them in a more logical or meaningful form. Table 4.1a and Table 4.1b present the Minimum, Maximum, Mean and standard deviation for the whole test and control variables. Based on the measurement of the variables, each observation for change in net income, change in cashflow from operations, growth, change in common stock and change in total liabilities has a tendency of scoring between infinite negative percentages to infinite positive value. Small positive profit is scored one if net income by total assets is between 0 and 0.01 and scored zero if otherwise.

Large loss recognition is also scored one if annual income scaled to total asset is less than -0.02 and scored zero for otherwise and the same treatment also applied to auditors. That is scored one for firm audited by Big Four audit firms and set to zero for others. Stock market price per share, book value per share and net income per share were all measured in Naira value. In order to content the impact of differences in the size of our sampled firms on the outcome of the analysis, the following steps were taken which are in line with previous studies. Natural logarithm of the equity market value was taken as a proxy for firm size control variable, while sales by total asset was taken for turnover and cashflow by total

asset was also taken to fair represent cashflow from operations. Leverage was measured as a ratio of total liabilities to end of year total equity.

Table 4.1a

Descriptive Statistics for Post Adoption Period

	N	Measurement	Minimum	Maximum	Mean	Std. Deviation
Change in Income	108	Percentage	-0.61	1.55	0.0792	0.25133
Change in Cashflow	108	Percentage	-0.57	0.59	0.0141	0.15473
Small Positive Profit	108	Score	0	1	0.1296	0.33746
Large loss Recognition	108	Score	0	1	0.0463	0.21111
Stock Market Price per Share	108	Naira	0.04	680	23.0386	73.3427
Book Value Per Share	108	Naira	-5.37	112.32	9.7418	16.5912
Net Income per Share	108	Naira	-18.45	26.67	1.4277	4.89489
SIZE1	108	LN of equity mkt value	9.21	24.45	15.2695	2.16679
GROWTH1	108	Percentage	-72.95	101.901	7.7805	18.008
LEVERAGE1	108	Total liability by equity	-12.42	36.82	2.3473	4.64805
E_ISSUE1	108	Percentage	0	87.88	4.3158	14.4976
D_ISSUE1	108	Percentage	-99.95	230.4	21.0486	48.4805
TURNOVER1	108	Sales by Total Asset	0	3.76	0.8694	0.68112
CFO1	108	CFO by Total Asset	-0.28	0.57	0.0979	0.14154
Auditors	108	Score	0	1	0.2778	0.44999

Note: SIZE = Natural logarithm of the market value of equity, GROWTH = Percentage change in sales, LEVERAGE = Total debt divided by total book value of equity, E_ISSUE = Percentage change in ordinary shares, D_ISSUE = Percentage change in total liabilities. TURNOVER = Sales divided by total asset. CFO = Cashflow from operation divided by total asset.

Table 4.1b

Descriptive Statistics for Pre Adoption Period

	N	Measurement	Minimum	Maximum	Mean	Std. Deviation
Change in Income	108	Percentage	-0.14	1.05	0.032	0.12493
Change in Cashflow	108	Percentage	-0.5	0.53	-0.0093	0.15256
Small Positive Profit	108	Score	0	1	0.1204	0.32691
Large loss Recognition	108	Score	0	1	0.0278	0.1651
Stock Market Price per Share	108	Naira	0.04	400.5	19.7691	49.7396
Book Value Per Share	108	Naira	-6.54	110.83	8.8873	15.4893
Net Income per Share	108	Naira	-19.96	35.5	1.3613	5.16178
SIZE1	108	LN of equity mkt value	9.21	24.28	15.2738	2.12106
GROWTH1	108	Percentage	-99.65	82.68	2.8599	16.7865
LEVERAGE1	108	Total liability by equity	-3123.06	18.11	-27.441	300.693
E_ISSUE1	108	Percentage	0	87.88	4.3158	14.4976
D_ISSUE1	108	Percentage	-99.95	230.4	21.0486	48.4805
TURNOVER1	108	Sales by Total Asset	0	2.96	0.8821	0.65589
CFO1	108	CFO by Total Asset	-0.24	0.46	0.096	0.12502
Auditors	108	Score	0	1	0.2778	0.44999

Note: SIZE = Natural logarithm of the market value of equity, GROWTH = Percentage change in sales, LEVERAGE = Total debt divided by total book value of equity, E_ISSUE = Percentage change in ordinary shares, D_ISSUE = Percentage change in total liabilities. TURNOVER = Sales divided by total asset. CFO = Cashflow from operation divided by total asset.

From the Table 4.1a and Table 4.1b above, the minimum, maximum, mean and standard deviation figures for post adoption period with respect to stock market price were 0.04, 680.00, 23.039, and 73.343 respectively which are greater than 0.04, 400.5, 19.7691 and 49.73964 for pre adoption period (with exception of minimum which recorded the same value of 0.04) is a good indicator that stock market's response to firms announcements and

financial statement is more in the post adoption period compared to that of pre adoption period. The mean value of 23.039 in the post adoption period that is greater than 19.679 in the pre adoption period indicates that the market is still appreciating or recovering from the melt-down experienced during 2008 world economic melt-down and standard deviation of 73.343 in the post adoption period which is greater than 49.74 in the pre adoption period signifies that stock market price are more vulnerable to changes in the post adoption period over the pre adoption period.

Book value per share being one of the major items in the statement of financial position that is used in valuing firms recorded the minimum, maximum, mean and standard deviation of -5.37, 112.32, 9.7418 and 16.5912 respectively which are more value relevant to the user of financial statement compared with -6.54, 110.83, 8.8873 and 15.48931 respectively for pre adoption period. An increase in the mean of book value of equity from 8.8873 in the pre adoption period to 9.7418 during post adoption period represents an increase in the total equity value of the sampled firms, which can be interpreted to mean additional equity in the market may be due to increase in investors' confidence in market participants after the adoption of IFRS as a reporting standard.

Net income per share (return/earning per share) another important figure and measure of performance from income statement recorded minimum, maximum, mean and standard deviation of -18.45, 26.67, 1.4277 and 4.89489 respectively in the post adoption period, while -19.96, 35.50, 1.3613 and5.16178 respectively for minimum, maximum, mean and standard deviation in the pre adoption period. The mean of 1.4277 in the post adoption

period which is above the amount (1.3613) recorded in the pre adoption period may be the main trigger for the positive trend in the market stock share price and can serve as a good indicator that the market respond to financial performance of the reporting firm more quickly than other economic and environment factors in determining the stock market price. And standard deviation of 4.89489 in the post adoption period which doubled 2.12106 for the pre adoption period signifies that return per share is highly volatile during post adoption period compared to pre adoption period.

Change in income for post adoption period have recorded a minimum, maximum, mean and standard deviation of -0.61, 1.55, 0.0792 and 0.25133 respectively while those of pre adoption period were -0.14, 1.05, 0.032 and 0.12493 respectively. These indicate that post adoption period is more sensitive to changes in income with minimum and maximum changes of -0.61 and 1.55 compared to -0.14 and 1.05 recorded in pre adoption period. Standard deviation of 0.25133 in the post adoption period doubled that of pre adoption period which indicates that earnings in post adoption period are more volatile than pre adoption period, a clear pointer to show less earnings smoothing after IFRS adoption.

Changes in cashflow recorded a figure of -0.57, 0.59, 0.0141 and 0.15473 respectively for minimum, maximum, mean and standard deviation during the post adoption period, while that of pre adoption period were -0.5, 0.53, -0.0093 and 0.15256 respectively. The minimum and maximum figures of -0.57 and 0.59 recorded in post adoption period are greater than -0.50 and 0.53 for pre adoption period, which indicate that cashflow from operations are more stable in pre adoption period than that of post adoption period. A

standard deviation of 0.1547 of post adoption period, which is greater than 0.1526 in the pre adoption period which signifies that accruals plays more role in determining total earnings in the pre adoption period, is a good indicator of less earnings management in post adoption period . Small positive profit (target beating) recorded a mean of 0.1296 in the post adoption period unlike 0.1204 figures for pre adoption period which can be interpreted as reporting towards positive profit is slightly higher during post adoption period.

Looking at tendency of large loss recognition, post adoption period recorded a mean of 0.0463 which is much higher than pre adoption period. This implies that firms more frequently recognize large loss in their financial statement after IFRS adoption than before adoption period.

For the control variables, the minimum, maximum, mean and standard deviation for the size of the overall sampled firms stood at 9.21, 24.45, 15.2695 and 2.16679 respectively for post adoption period, while that of pre adoption period stood at 9.21, 24.28, 15.2738 and 2.12106 respectively for minimum, maximum, mean and standard deviation. The mean value of 15.2695 in the post adoption period is slightly greater than 15.2738 for the corresponding pre period. The slight difference may amount to wide gap, if not for it has been turn to natural logarithm of the figure, which implies that there is increase in the size of firms after the adoption of IFRS as reporting standard. And standard deviation of 2.16679 in the post adoption period is greater than2.12106 in the pre adoption period which implies that size the variability of size after adoption will be higher than before IFRS adoption.

Growth is an indices used in measuring the expansion of firms. It is used in this study as a control variable before arriving at a residual effect of IFRS adoption on accounting quality. The minimum, maximum, mean and standard deviation recorded for this variable were -72.95, 101.901, 7.7805and 18.00751respectively for post adoption period. Pre adoption period recorded -99.65, 82.68, 2.8599 and 4.78645 for minimum, maximum, mean and standard deviation. The mean of 7.7805 percent growth rate witnessed in the post adoption period is greater than 2.8599 recorded in the pre adoption period which can translated as effect of economic growth within the country.

Leverage which is defined as a ratio of total liability over end of year total equity have recorded during the post adoption period, the minimum, maximum, mean and standard deviation of leverage stood at -12.42, 36.82, 2.3473 and 4.64805 respectively and pre adoption period recorded the value of -3123.06, 18.11, -27.4409 and 300.69332 respectively for minimum, maximum, mean and standard deviation. The mean of 2.3473 witnessed in the post adoption period which is incomparable with the negative value of -27.4409 can interpret the increase recorded in previous variable (size) is mostly from equity due to the negative value of mean recorded in the pre adoption period.

Descriptive analysis of the effect of additional common stock recorded the minimum, maximum, mean and standard deviation for post adoption period stood as 0, 87.88, 4.3158 and 14.49762 respectively. While the minimum, maximum, mean and standard deviation of pre adoption period were 0, 87.88, 4.3158 and 14.49762 respectively which signifies little

or absent of additional issue of common stock throughout the period under review and the same applied to additional long-term debt.

Turnover been total sales for the year (divide by total asset in order to content the effect of size) recorded a minimum, maximum, mean and standard deviation of 0.01, 3.76, 0.8694 and 0.68112 respectively in the post adoption period while the value stood at 0.01, 2.96, 0.8821 and 0.65589 respectively for minimum, maximum, mean and standard deviation in the pre adoption period. Standard deviation of 0.68112 reported in the post adoption period is greater than 0.65589 reported in the pre adoption period which means that it is more volatile I the post adoption period. Operating cashflow (also divide by total assets) a control variable inserted in the model to help identify the effect of standard alone has recorded the minimum, maximum, mean and standard deviation of -0.28, 0.57, 0.0979 and 0.14154 respectively in the post adoption period while those of pre adoption period were -0.24, 0.46, 0.096 and 0.12502 respectively for minimum, maximum, mean and standard deviation. The mean value of 0.0979 and 0.096 signifies that the total cashflow from operations of the sampled firms is almost the same or moving in the same direction for both post and pre adoption era, however, they differ with respect to variability as the standard deviation in the post adoption period is 0.14154 while that of pre adoption period stood at 0.12502. With respect to auditors' quality, the variable recorded the minimum, maximum, mean and standard deviation of 0, 1, 0.2778 and 0.44999 for both post and pre adoption period which is as result of no any change recorded in auditing firms throughout the period under study.

4.3 Correlation Analysis

Correlation analysis is one of the inferential statistical tools that are used to measure the existence and/or level of relationship between or among variables. Correlation analysis is employed in this study in order to explore the existence and measure the strength of the relationship among several research variables.

4.3.1 Correlation Analysis in the Post Adoption Period

Table 4.2a and Table 4.2b below present the results of Pearson correlation analysis on the relationship and association among the research variables for the post adoption period.

Table 4.2a

Correlations for Post Adoption Period

	Change in Income (1)	Change in Cash flow (2)	Small Positive Profit (3)	Large loss Recognition (4)	Stock Market Price per Share (5)	Book Value Per Share (6)	Net Income per Share (7)	SIZE1 (8)
(1)	1							
(2)	0.061	1						
(3)	-0.023	0.056	1					
(4)	-0.047	0.066	-0.085	1				
(5)	0.106	0.021	-0.094	-0.051	1			
(6)	-0.001	0.058	0.025	-0.128	0.378**	1		
(7)	0.094	-0.017	-0.098	-0.157	0.629**	0.416**	1	
(8)	0.118	-0.085	-0.128	-0.085	0.493**	0.259**	0.405**	1
(9)	0.004	-0.022	-0.034	-0.021	-0.024	0.002	-0.037	-0.125
(10)	0.159	0.002	-0.027	0.417**	-0.010	-0.066	-0.115	-0.025
(11)	-0.018	-0.073	0.025	-0.035	-0.031	-0.098	-0.043	0.081
(12)	0.338**	-0.169	-0.001	0.044	-0.071	-0.147	-0.054	0.049
(13)	0.555**	0.048	-0.101	-0.122	0.160	-0.027	0.169	0.208*
(14)	0.079	0.696**	0.021	-0.028	0.193*	0.027	0.150	0.106
(15)	0.095	-0.109	0.007	-0.137	0.182	0.166	0.121	0.248**

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).

Table 4.2b

Correlations for Post Adoption Period

	Growth (9)	Leverage (10)	E-issue (11)	D-issue (12)	Turnover (13)	CFO (14)	Auditors (15)
(9)	1						
(10)	-0.027	1					
(11)	-0.029	0.174	1				
(12)	-0.002	0.127	-0.062	1			
(13)	-0.114	0.140	-0.046	0.081	1		
(14)	-0.075	-0.073	-0.200*	-0.182	0.148	1	
(15)	-0.062	0.022	0.000	0.055	0.227*	0.021	1

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).

4.3.1.1 Correlation Analysis on Value Relevance

Based on the Table 4.2a and Table 4.2b, stock market price per share is significantly and positively correlated with book value per share at one percent significant level ($r = 0.378$, $p < 0.01$), net income per share at one percent significant level ($r = 0.629$, $p < 0.01$) and firm size at one percent significant level ($r = 0.493$, $p < 0.01$) on which the first two variables prove the explanatory power of book value per share and income per share in determining the market price per share, while the latter explain the relationship between market price per share and the size of the firm because of the investors' confidence in large firms in terms of return as well as going concern issue. Book value per share is also having a positive and moderate relationship with net income per share at one percent confidence level ($r = 0.416$, $p < 0.01$) and positive but weak relationship with firm size at one percent confidence level ($r = 0.259$, $p < 0.01$) while net income per share recorded positive and moderate relationship with firm size at one percent confidence level ($r = 0.405$, $p < 0.01$).

4.3.1.2 Correlation Analysis on Earnings Management

Based on the Table 4.2a and Table 4.2b, change in income have recorded a significant and positive correlation with the additional long-term liability at one percent confidence level ($r = 0.338$, $p < 0.01$) and moderately correlated with turnover at one percent confidence level ($r = 0.555$, $p < 0.01$). Change in operating cashflow is strongly correlated with actual operating cashflow at one percent confidence level ($r = 0.696$, $p < 0.01$), while small positive profit does not record correlation with any of the research variables.

4.3.1.3 Correlation Analysis on Timely Loss Recognition

Based on the results of correlation analysis presented in Table 4.2a and Table 4.2b, large loss recognition is having a significant, moderate and positive relationship with leverage at one percent significant level ($r = 0.417$, $p < 0.01$). This can be trace to the fact that highly geared firms received a number of control mechanisms from both within and outside the firm. Credit institutions oversees the activities and ensure quality and timely reporting of financial report of the firms in which they have stake in (Houqe et al., 2012).

4.3.1.4 Correlation Analysis on Control Variables

On the correlation among the control variables, size is significant and positively correlated with turnover at five percent confidence level ($r = 0.208$, $p < 0.05$) due to the fact that most of the big firms reported large amount of turnover, and it is also positively correlated with auditors at one percent confidence level ($r = 0.01$, $p < 248$) which can be taken as big firms have more tendency of engaging one of the big 4 auditing firm than small firms. Turnover

is positively correlated with auditors five percent confidence level ($r = 0.227$, $p < 0.05$) which means that firms with large turnover engage the services of big 4 auditing firms than their counterpart.

4.3.2 Correlation Analysis in the Pre Adoption Period

Table 4.3a and Table 4.3b below present the results of Pearson correlation analysis among the research variables in the pre adoption period.

Table 4.3a

Correlations for pre Adoption Period

	Change in Income (1)	Change in Cash flow (2)	Small Positive Profit (3)	Large loss Recogniti on (4)	Stock Market Price per Share (5)	Book Value Per Share (6)	Net Income per Share (7)	SIZE (8)
(1)	1							
(2)	0.138	1						
(3)	-0.084	0.101	1					
(4)	-0.116	-0.031	-0.063	1				
(5)	0.028	0.085	-0.109	-0.040	1			
(6)	-0.007	-0.009	-0.085	-0.092	0.432**	1		
(7)	0.082	0.087	-0.088	-0.275**	0.556**	0.323**	1	
(8)	0.036	0.078	-0.112	-0.064	0.531**	0.261**	0.367**	1
(9)	0.707**	0.092	-0.066	-0.061	0.003	0.017	0.071	0.115
(10)	0.048	0.003	0.035	-0.571**	0.018	0.056	0.042	0.077
(11)	-0.077	0.097	0.074	0.240*	-0.037	-0.081	-0.066	0.012
(12)	0.047	0.077	-0.094	-0.081	-0.081	-0.137	0.043	0.090
(13)	0.310**	0.048	-0.098	0.053	0.242*	-0.017	0.104	0.245*
(14)	0.013	0.407**	-0.100	-0.235*	0.228*	-0.061	0.287**	0.263**
(15)	0.060	0.128	-0.039	0.021	0.219*	0.099	0.053	0.266**

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).

Table 4.3b

Correlations for Pre Adoption Period

	GROWTH (9)	LEVERAGE (10)	E_ISSUE (11)	D_ISSUE (12)	TURNOVER (13)	CFO (14)	Auditors (15)
(9)	1.000						
(10)	0.043	1.000					
(11)	-0.067	-0.398**	1.000				
(12)	0.083	0.037	-0.062	1.000			
(13)	0.200*	0.034	-0.054	0.122	1.000		
(14)	0.118	0.215*	-0.132	0.061	0.157	1.000	
(15)	0.104	0.062	0.000	0.055	0.315**	0.201*	1.000

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).

4.3.2.1 Correlation Analysis on Value Relevance

Based on the Table 4.3a and Table 3b, stock market price per share is significantly and positively correlated with book value per share at one percent significant level ($r = 0.432$, $p < 0.01$), net income per share at one percent significant level ($r = 0.556$, $p < 0.01$) and firm size at one percent significant level ($r = 0.531$, $p < 0.01$) on which the first two variables prove the explanatory power of book value per share and income per share in determining the market price per share, while the latter explain the relationship between market price per share and the size of the firm because of the investors' confidence in large firms in terms of return as well as going concern issue. Book value per share is also having a positive and weak relationship with net income per share at one percent confidence level ($r = 0.323$, $p < 0.01$) and firm size at one percent confidence level ($r = 0.261$, $p < 0.01$) while net income per share recorded also positive and moderate relationship with firm size at one percent confidence level ($r = 0.367$, $p < 0.01$).

4.3.2.2 Correlation Analysis on Earnings Management

Based on the results presented in the Table 4.3a and Table 4.3b, change in net income is having a strong and positive relationship with growth at one percent confidence level ($r = 0.707$, $p < 0.01$) which of course can be seen as natural effect of growth in the change in the firms' operating income. And positive but weak relationship was evident between change in income and turnover at one percent level of confidence ($r = 0.310$, $p < 0.01$), since income is a bottom line of the turnover, such relationship may exist. Looking from change in operating cashflow view point, it has recorded a positive and moderate relationship with cashflow from operating activities at one percent level of confidence ($r = 0.407$, $p < 0.01$) and this is as a result that the former was derived from the latter. While small positive profit does not record significant relationship with any of the research variables.

4.3.2.3 Correlation Analysis on Timely Loss Recognition

From the result of correlation analysis presented in Table 4.3a and Table 4.3b above, large loss recognition has recorded negative but weak relationship with net income per share at one percent confidence level ($r= -0.275$) which is usual to have such relation between loss and income. It also having a negative and moderate relationship with leverage at one percent confidence level ($r = -0.571$, $p < 0.01$), positive and weak relationship with additional issue of common stock at five percent confidence level ($r = 0.240$, $p < 0.05$) and negative but weak relationship with cashflow from operating activities at five percent confidence level ($r = -0.235$, $p < 0.05$) which signifies inverse relationship between operating cashflow and large loss recognition.

4.3.2.4 Correlation Analysis on Control Variables

Correlation analysis between control variables in the pre adoption period, Size is having a positive and weak relationship with turnover at five percent confidence level ($r = 0.245$, $p < 0.05$) due to the fact that most of the big firms reported large amount of turnover, positive and weak relationship with cashflow from operations at one percent confidence level ($r = 0.263$, $p < 0.01$) as a result of impact of size on operations of the firm and positively correlated with auditors at one percent confidence level ($r = 0.01$, $p < 266$) which can be taken as big firms have more tendency of engaging one of the big 4 auditing firm than small firms. Growth has recorded a positive but weak relationship with turnover at five percent level of confidence ($r = 0.200$. $p < 0.05$) which means that increase in turnover finances the growing or expansion of the firm. Leverage has recorded moderate but negative relationship with additional issue of common stock at one percent confidence level ($r = -0.398$, $p < 0.01$) which means firms finance most of their activities with either common stock or debt not from the combination of the two.

Turnover is positively correlated with auditors one percent confidence level ($r = 0.315$, $p < 0.01$) which means that firms with large turnover engage the services of big 4 auditing firms than their counterpart and lastly cashflow from operations in having a positive but weak relationship with auditors at five percent level of confidence ($r = 0.201$, $p < 0.05$) which means that firms with higher positive cashflow from operations engage the services of big 4 auditing firms than their counterpart. Pallant, (2007) opined that simple correlation between research variables should not be seen as harmful for analysis until it exceeded 0.80 or 0.90.

4.4 Results and Hypotheses Testing

Based on the literature reviewed in this study, there exist mixed results on the impact of IFRS adoption on accounting quality in world. Some researchers established a positive impact (i. e. increase in accounting quality), while others proved otherwise. It must be noted however that most of those researches were conducted in developed nations and developing nations have their own peculiarities that may cause such findings to not hold water in developing nations. This study used the empirical results generated from the analysis of data using the established models in testing the hypotheses developed for this study.

4.4.1 Empirical Result Hypothesis Testing on Value Relevance

Table 4.4 below presented the results for the pooled data (panel I) and that of the firms with thee positive earnings. The results of the pooled data proved that both book value per share and earnings per share have a positive coefficient of 0.809 and 6.334 respectively. Though, both book value per share and earnings per share are significant accounting information in determining the stock market price (with p-value of 0.000 at one percent confidence level), earnings per share is a dominant factor with the coefficient of 6.334 which is incomparable to 0.809 of book value per share.

The results from the regression of the pooled data further revealed that book value per share and earnings per share accounts for the 37.9% of the stock market price variations for the period under study, while the remaining 62.1% of the stock market price variations is

accounted by other economics and environmental factors. Variance inflator factor (VIF) of 1.157 for the equation was found to be within the acceptable range.

Table 4.4

Result of the Multiple Linear Regression Analysis for Pooled data (panel I) and Firms with Positive Profit (panel II)

	panel I $MVPS_{it} = \alpha_0 + \beta_1 BVPS_{it} + \beta_2 EPS_{it} + \varepsilon_{it}$		Panel II $MVPS_{+it} = \alpha_{+0} + \beta_{+1} BVPS_{it} + \beta_{+2} EPS_{it} + \varepsilon_{+it}$	
	Coefficient	P-Value	Coefficient	P-Value
α_0	5.031	0.199	-0.604	0.906
β_1	0.809	0.000	0.682	0.008
β_2	6.334	0.000	8.310	0.000
F-stat.	65.010	0.000	61.093	0.000
R^2	0.379		0.43	
VIF	1.157		1.148	

Note: $MVPS_{it}$ = Market Value per Share of firm i at time t/Stock market price per share. $BVPS_{it}$ = Book Value per Share of firm i at time t. EPS_{it} = Accounting Earning per Share of firm i at time t.

Panel II of the table 4.4 presented the results of the multiple linear regression analysis with the stock market price as dependent variable and book value per share and earnings per share as independent variables for the firms with the positive profits. The results were similar with that of pooled data but with earnings per share exercising more influence in firms with positive profits than pooled data, while book value per share recorded less influence in the second equation than what has been exercised in pooled data. The result of the regression revealed that both book value per share and earnings per share have a positive coefficient of 0.682 and 8.310 respectively. It must be noted however that only earnings per share has a significant effect in determining the stock market price (with p-value of 0.000 at one percent level of confidence). The coefficient of 8.310 accounted by

earnings per share proved its dominance in determining the market value of the firms with positive profits.

Coefficient of determination of 43% reported from the model summary revealed that both book value per share and earnings per share are responsible for up to 43% in determining the stock market price of the firms with positive profits, while the balancing percent are determine by factors or variables outside our constructed model variables. The variance inflation factor of 1.148 reported in the model is within the acceptable limit.

On the effect of mandatory adoption of IFRS as a financial reporting standard in Nigeria, the study analyzed the value relevance of accounting data on the stock market price of the quoted companies on the floor of Nigerian stock exchange for pre adoption and after adoption periods. Table 4.5 below presented the results of the multiple linear regression analysis for the both periods.

Table 4.5

Result of Multiple Regressions on the Effect of IFRS Adoption in Nigeria

$MVPSit = \alpha_0 + \alpha_1 D + \beta_1 BVPS_{it} + \beta_2 EPS_{it} + \beta_3 DBVPS_{it} + \beta_4 DEPS_{it} + \varepsilon_{it}$

	Coefficient	P-Value
α_0	5.188	0.179
β_1	0.917	0.003
β_2	4.487	0.000
β_3	-0.304	0.450
β_4	4.057	0.005
F-stat.	35.562	0.000
R^2	0.403	

Note: $MVPS_{it}$ = Market Value per Share of firm i at time t/Stock market price per share. $BVPS_{it}$ = Book Value per Share of firm i at time t. EPS_{it} = Accounting Earning per Share of firm i at time t. D = Dummy variable which equal to 1 for IFRS period and 0 if otherwise.

As stated earlier in the model formulated in order to test the impact of IFRS adoption on value relevance of accounting variables, positive coefficient in β_3 and β_4 represent improvement in value relevance of book value per share and earning per share respectively after mandatory adoption of IFRS while negative coefficients denote otherwise.

From the Table 4.5 presented above, negative coefficient of -0.304 reported in β_3 proved that the value relevance of book value per share in determining the stock market price has decrease after mandatory adoption of IFRS even though it is not significant factor considering the p-value of 0.450 attached to the variable. On the other hand, the positive coefficient of 4.057 reported by changes in value relevance of earnings per share (β_4) portrayed its influence in defining the stock market price. This can be defined as there is significant increase in the value relevance of earnings per share after IFRS adoption which outweighs the marginal decrease in the coefficient of book value per share after the

adoption. The coefficient of determination of 0.403 revealed that book value per share and earnings per share accounted for the 40.3% for the changes in the stock market price which is greater than 37.9% accounted for in the pooled data model. In view of this, the study accepted the first research hypothesis which state that

H1: Mandatory adoption of international financial reporting standard increases the value relevance of financial reporting in Nigeria.

This research finding is line with the findings of Chua et al., (2012), Dimitropoulos et al., (2013), Kargin, (2013) Kim, (2013) Palea, (2013) and Samarasekera et al., (2012) which all found an improvement in value relevance of accounting variables after the adoption of IFRS in their respective studies.

4.4.2 Empirical Result Hypothesis Testing on Earnings Management

Table 4.6 below present the results of the variability of the residuals from the linear regression of change in net income and change in cashflow together with the logistic regression of the model of small positive net income (SPOS).

Table 4.6

Comparison of Earnings Management Before and After IFRS Adoption

Earnings Management Metrics	Prediction	Post (N = 108)	Pre (N = 108)
Variability of ΔNI^*	Post > Pre	0.0374	0.0071
Variability of ΔNI^* over ΔCF^*	Post > Pre	3.3097	0.3817
Small Positive NI (SPOS)	-		0.082

From the above table, earnings management metrics results are consistent with the predictions that variability of change in net income is higher during post adoption period which means less earnings management/smoothing. As it is explain earlier, analyses of earnings management metrics were not based on the coefficient of determination (R^2) of the regressed models (this is because it record the portion of earnings quality accounted by the control variables), it focused on the residuals of the models from regressing relevant dependent variables on the chosen control variables. Going by this, variability of the change in income (ΔNI^*) in the post adoption period (0.0374) is higher than (0.0071) in the pre adoption period, which means that income smoothing has drastically reduced during the post adoption period.

The second earnings management metric support the above finding through the analyses of the variability of change in the operating cashflow during both pre and post adoption periods. The analysis was conducted in order to find out whether increase in the variability of operating cashflow can be found during the post adoption period as a result of increase in the variability in net income. It was found that the ratio of variability of the change of net income over the variability of the change in cashflow in the post adoption period (3.3097) was incomparably higher than (0.3817) in the pre adoption period. On small positive profit (SPOS), the positive coefficient of 0.082 indicates that there is slight increase in SPOS during post adoption period which contradict the results of first two metrics. Based on the above figures, this study accepted the research hypothesis which state that

H_2: Mandatory adoption of international financial reporting standard decreases the earning management in financial reporting in Nigeria.

The study proved that earnings smoothing are higher during the Statement of Accounting Standard (SAS) regime and an increased in earnings quality is witnessed during the current IFRS regime which consistent with the works of Barth et al., (2008) Zéghal et al., (2011), Soderstrom & Sun, (2007), Dimitropoulos et al., (2013) and Ismail et al., (2013) and contradict the works of Ahmed et al., (2013), Paananen, (2008) and Lin et al., (2012).

4.4.3 Empirical Result Hypothesis Testing on Timely Loss Recognition

With regards to timely loss recognition, Barth et al., (2008) timely loss recognition model was adopted, modified and used in this study in order to ascertain the impact of IFRS adoption on timely loss recognition. Table 4.7 presented the coefficient of reported large negative net income (LNEG) for the pooled data and the timely loss recognition predictions if IFRSs were to improve the accounting quality.

Table 4.7

Results of the Multiple Linear Regression Analysis

Timely Loss Recognition Metrics	Prediction	Coefficient
Large Negative NI (LNEG)	+	0.225

The positive coefficient of 0.225 reported by large negative income indicates that apart from the associations of the model control variables, firms report LNEG more frequently after IFRS adoption. This finding proved that firms smooth earnings by way of delaying large loss recognition before the mandatory IFRS adoption. Based on this finding, the study accepted the research hypothesis which states that

H3: Mandatory adoption of international financial reporting standard increases the timely loss recognition by the financial reporting in Nigeria.

The above finding is in line with the findings of Barth et al., (2008), Chua et al., (2012) and Dimitropoulos et al.,(2013) and contradict the findings of Paglietti, (2010) and Paananen, (2008).

4.4.4 Summary of Findings

Based on the analysis of data collected from the annual reports and accounts of the sampled companies listed in Nigerian Stock Exchange, the study revealed that:

- Value relevance of accounting variables is higher in the post IFRS adoption period compared to that of pre adoption period, with earnings per share playing significant role in defining the stock market price.
- It was evidenced that earnings management/earnings smoothing has drastically decrease in the post adoption period. However, managing toward small positive earnings has slightly increased in the post adoption period.
- On timely loss recognition, this study documented an empirical evidence of reporting large negative net income in the post adoption period with positive coefficient of LNEG, which implies that mandatory adoption of IFRS as reporting standard in Nigeria compelled many firms to recognize large negative net income in a single year instead of spreading it across several years to come.

On the overall result, with the above findings and evidences, the study believed that mandatory adoption of IFRS as financial reporting standard in Nigeria has increase the

accounting quality across the economy. Therefore, Nigerian economy stands the chance to benefit from all benefits accruable to countries with strong accounting quality.

4.5 Summary of the Chapter

This chapter presented the profile of the firms that were used as sample in the study for the purpose of data collection. Descriptive analysis were conducted with the view of presenting the data so collected in an orderly and more meaningful manner which permit for the glancing of the possible outcome of the study before going into deep analysis. Correlation analysis were conducted and the results were duly interpreted upon which the study used to ascertain the nature of the relationship between/among the research variables. It must be noted however that in a research of this nature which employ the use of many variables, multicollinearity problem may exist which can harm the outcome of the study, correlation analysis were used in order to identify the possible existence of such problem so as to ensure accuracy and authenticity of the research findings. Lastly, multiple linear regressions were conducted with the view of identifying the impact of mandatory adoption of IFRS on accounting quality in Nigeria. It was established that accounting quality has improved in Nigeria after mandatory adoption of IFRS by all the three dimension of accounting quality employed by the study, namely, value relevance, earnings management and timely loss recognition. And the findings of this study supported the findings of several researches conducted in developed countries and contradict the outcome of some researches.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This study used the secondary data collected from annual reports and accounts of the sampled companies listed on Nigerian Stock Exchange to measure the accounting quality dimensions namely, value relevance, earnings management and timely loss recognition before and after the mandatory adoption of IFRS. This chapter discussed the findings generated from the previous chapter and conclusions were drawn from them and recommendations for further researches were made therefrom.

5.1 Summary of Result

This research used empirical method in studying the effect of IFRS on accounting quality in Nigeria. The study was built on agency theory and stakeholders' theory in an effort to identify the need for financial reporting, users of financial reports and their information needs as well as the quality of accounting data needed in order to quench the thirst of divergent users of financial reports (Ball, 2006; Hill & Jones, 1992; Key & Susan, 1999). The study went further to study the effect of accounting standards on the quality of information content of any given set of financial statements.

Based on the several statistical analyses conducted, interesting findings emerged from this research. Descriptive analysis of stock market price indicated that stock market's response

to firms' announcements and financial statement is more in the post adoption period compared to that of pre adoption period with good evidence that the market is still on its recovery stage after the last decade economic melt-down, which is consistent with the finding of (Chua et al., 2012). An increase in the mean of book value of equity in the post adoption period represents an increase in the total equity value of the sampled firms, which can be interpreted to mean additional equity in the market due to increase in investors' confidence in market after the adoption of IFRS as a reporting standard. Positive average net income per share (return/earning per share) may be the main trigger for the positive trend in the market stock share price and can serve as a good indicator that market respond to financial performance of the reporting firm more quickly than other economic and environment factors in determining the stock market price which tallies with the findings of (Alali & Foote, 2012; Kim, 2013).

From the results of descriptive analysis the study documented that earnings in post adoption period are more volatile than pre adoption period, a clear pointer to show less earnings smoothing after IFRS adoption and the same result was reported by (Barth et al., 2008; Dimitropoulos et al., 2013). An analysis of changes in the operating cashflow indicated that cashflow from operations are more stable in pre adoption period than that of post adoption period, this signifies that accruals plays more role in determining total earnings in the pre adoption period, which is a good indicator of less earnings management in post adoption period as the same was documented by (Chua et al., 2012). Small positive profit (target profit) frequency proved that reporting towards positive profit is slightly higher during post adoption period which tallies with the work of (Ahmed, et al., 2013) and

contradicts the findings of most of the available literature. Looking at the trend of large loss recognition revealed that firms more frequently recognize large loss in their financial statement after IFRS adoption than before adoption period.

Furthermore, correlation analysis was conducted with a view of identifying the relationship between research variables. The results were almost the same with slight changes in degree or variables in both periods of pre and post adoption periods. Significant and positive relationship was identified between stock market price per share and book value per share and income per share in both periods, which proved their influence in determining stock price in capital market. This nature of relationship also due exist between stock market price per share and firm size which can be concluded that investors place more confidence in large firms in terms of return as well as going concern issue. Positive and moderate relationship between income per share and firms size proved that large firms produce more return to their investors than small or medium firms which can be link to economy of scale.

The significant and positive relationship between changes in income with leverage and turnover in the post adoption period proved that firm's source of finance and volume of its operating activities influence the volatility of its income which baked the idea of controlling their influence before ascertaining the actual effect of accounting standard on accounting quality, and similar relationship with growth in the pre adoption era to back the above conclusion. Changes in cashflow from operations has not record significant relationship with any variable apart from its source in both periods, and small positive

profit does not record significant relationship with any of the research variables during the period under review.

Large loss recognition is having a significant and positive relationship with leverage in the post adoption period which can be trace to the fact that highly geared firms received a number of control mechanisms from both within and outside the firm. Credit institutions oversees the activities and ensure quality and timely reporting of financial report of the firms in which they have stake in (Houqe et al., 2012). Large negative net income have reported negative but weak relationship with cashflow from operations in the pre adoption period that can be concluded as the lower the level of operations in the firm, the higher the chance of having a large loss.

The results of multiple regressions of the pooled data presented in Table 4.4 panel I which produce positive coefficients for both book value per share and earnings per share and reasonable coefficient of determination proved that accounting variables play significant role in determining the stock market price during the both periods under review. Panel II reported the multiple regressions of the pooled data but for only firms with positive profit this time around. The coefficients and coefficient of determination of positive firms are greater than that of the positive and negative firms combine, this is an evidence that positive earnings influences the stock market price per share more than any other variable analyzed in this study.

On the value relevance of accounting variables before and after mandatory adoption of IFRS, the negative coefficient of β_3 in equation (3) proved that the value relevance of book

value per share in determining the stock market price has slightly decreased after mandatory adoption of IFRS while the positive coefficient reported by changes in value relevance of earnings per share (β_4) in the same equation portrayed its influence in defining the stock market price. This can be defined as there is significant increase in the value relevance of earnings per share after IFRS adoption which outweighs the marginal decrease in the coefficient of book value per share after the adoption.

Earnings management is one of the dimensions adopted by this study in measuring accounting quality and three metrics were used in measuring it both before and after IFRS adoption. The first metric which is the variability of the change in net income using the variance of residual of the equation (4) after controlling other variables that can equally affect the accounting quality proved that changes in net income are more volatile in post adoption period, which evidenced less earnings smoothing after IFRS adoption. This result was affirmed by the second metric which used the variability of change in net income over variability of change in cashflow. The results of the second metric proved that the ratio of variability of change in net income over variability of change in operating cashflow is greater than one during IFRS adoption period, this tallies with the assertion of (Chua et al., 2012) that when firms experience more volatile cashflow should naturally expect more volatile net income.

The third earnings management metric employed by the study was used to measure the tendency of managing earnings towards small positive profit (target beating). The outcome

of this metric showed that small positive profits (SPOSs) were slightly higher in the post adoption period which contradicts the previous metrics. However, some researchers have arrived at this position in their respective works Ahmed et al., (2013) and Paananen, (2008). On the overall result, the study proved that earnings management/earnings smoothing has decreased with the adoption of IFRS as reporting standard in Nigeria.

The last dimension of accounting quality employed in this study is timely loss recognition. The positive coefficient reported in equation (7) by large negative income (LNEG) indicates that, apart from the associations of the model control variables, firms report LNEG more frequently after IFRS adoption. This finding proved that firms smooth earnings by way of delaying large loss recognition before the mandatory IFRS adoption and the study concludes that firms report their actual performance being it positive or negative in post adoption period more than they do in the pre adoption period.

5.2 Recommendations

Many researchers have contributed to the inconclusive research on compliance (being it tax compliance, legal compliance, compliance with accounting standard to just mention but a few). With the restructuring of IASC to IASB and European Union adoption of IFRS as mandatory financial reporting standard in 2005, several studies were conducted to test the impact on these newly promulgated standards on accounting quality in developed economies, but few were conducted in developing economies with narrow measurement

metrics. In line with the increase in accounting quality identified by the study after IFRS adoption, the researcher makes the following recommendations

- Other developing nations should adopt IFRS as their financial reporting standard since it is capable of increasing their accounting quality.
- In a situation where option exist to report an accounting item or event either based on historical cost accounting or to use fair value accounting, the reporting entity should report such item or event based on fair value accounting since it is capable of increasing the value relevance of financial statement.
- It is also recommended that in a situation where countries are not willing to adopt IFRS as their financial reporting standards, they should try as much as possible to minimize the number of permissible accounting alternatives as doing so will reduce the possibility of earnings management.
- Reporting entities should be compel by regulatory bodies to be reporting large losses in a financial year in which it occurs as doing so will enable the users of financial statements to assess the actual economic value of the reporting entities.

5.3 Limitation of the Study

Researches of this nature need a time series data for several years that will enable the researchers to identify the permanent trend of an event, not a temporary changes that may be a result of unobserved variable. The main limitation of this study is the time coverage; this is as a result of the proximity of the adoption period with time of conducting the study due to the fact that Nigeria has adopted IFRS as financial reporting standard in 2012, so no

time series data available to make extensive study. The researcher also acknowledged the problem of sample size, because few among the Nigerian companies were quoted in Nigerian Stock Exchange.

5.4 Future Research

Based on the limitations of this study highlighted in the previous heading, it is of the opinion of the researcher that future researchers should try to expand the timeframe of the period of study. research should also be conducted to assess the impact of mandatory adoption of IFRS on the accounting quality of SMEs in Nigeria and the researcher is also suggested that research should be conducted to analyze why IFRS improves the accounting quality based on standard by standard, not the whole package as whole.

Reference

Adenola, K. Y. (2011). Compliance with Statement of Accounting Standards by Nigerian Quoted Banks. *European Journal of Economics, Finance and Administrative Sciences*, *34*(34), 104–113.

Aharony, J. (2010). The Impact of Mandatory IFRS Adoption on Equity Valuation of Accounting Numbers for Security Investors in the EU. *European Accounting Review*, *19*(3), 535–578. doi:10.1080/09638180.2010.506285

Ahmed, K., Chalmers, K., & Khlif, H. (2013). A Meta-analysis of IFRS Adoption Effects. *The International Journal of Accounting*, *48*(2), 173–217. doi:10.1016/j.intacc.2013.04.002

Ahmed, Neel, M., & Wang, D. (2013). Does mandatory adoption of IFRS improve accounting quality? Preliminary evidence. *Contemporary Accounting …*, *30*(4), 1–49. doi:10.1111/j.1911-3846.2012.01193.x

Alali, F. A., & Foote, P. S. (2012). The Value Relevance of International Financial Reporting Standards: Empirical Evidence in an Emerging Market. *The International Journal of Accounting*, *47*(1), 85–108. doi:10.1016/j.intacc.2011.12.005

Amir, E., Harris, T. S., & Venuti, E. K. (1993). A Comparison of the Value-Relevance of U.S. Versus Non-U.S. GAAP Accounting Measures Using Form 20-F Reconciliations. *Journal of Accounting Research*, *31*, 230–264 CR – Copyright © 1993 Accounting Res. doi:10.2307/2491172

Bae, K.-H., Kang, J.-K., & Wang, J. (2011). Employee treatment and firm leverage: A test of the stakeholder theory of capital structure. *Journal of Financial Economics*, *100*(1), 130–153. doi:10.1016/j.jfineco.2010.10.019

Ball, R. (2006). International Financial Reporting Standards (IFRS): pros and cons for investors. *Accounting and Business Research*, (special), 5 – 27. Retrieved from http://www.tandfonline.com/doi/abs/10.1080/00014788.2006.9730040

Ball, R., Kothari, S. P., Robin, A., Biddle, G., Carsberg, S. B., Collins, D., … Zimmerman, J. (2000). The effect of international institutional factors on properties of accounting earnings (correction). *Journal of Financial Economics*, *29*, 1–51.

Ball, R., Robin, A., & Wu, J. S. (2003). Incentives versus standards: properties of accounting income in four East Asian countries. *Journal of Accounting and Economics*, *36*(1-3), 235–270. doi:10.1016/j.jacceco.2003.10.003

Ball, R., & Shivakumar, L. (2006). The role of accruals in asymmetrically timely gain and loss recognition. *Journal of Accounting Research*, *44*(2), 207–242. Retrieved from http://onlinelibrary.wiley.com/doi/10.1111/j.1475-679X.2006.00198.x/abstract

Barth, M. E., Beaver, W. H., & Landsman, W. R. (2001). The relevance of the value relevance literature for financial accounting standard setting : another view. *Journal of Accounting and Economics*, *31*, 77–104.

Barth, M. E., Landsman, W. R., & Lang, M. H. (2008). International Accounting Standards and Accounting Quality. *Journal of Accounting Research*, *46*(3), 467–498. doi:10.1111/j.1475-679X.2008.00287.x

Barth, M. E., Landsman, W. R., Lang, M., & Williams, C. (2012). Are IFRS-based and US GAAP-based accounting amounts comparable ? *Journal of Accounting and Economics*, *54*(1), 68–93. doi:10.1016/j.jacceco.2012.03.001

Belkaoui A. H. (2004). *Accounting Theory* (5th ed.). London: Thomson learning.

Bova, F., & Pereira, R. (2012). The Determinants and Consequences of Heterogeneous IFRS Compliance Levels Following Mandatory IFRS Adoption: Evidence from a Developing Country. *Journal of International Accounting Research*, *11*(1), 83–111. doi:10.2308/jiar-10211

Cairns, D., Massoudi, D., Taplin, R., & Tarca, A. (2011). IFRS fair value measurement and accounting policy choice in the United Kingdom and Australia. *The British Accounting Review*, *43*(1), 1–21. doi:10.1016/j.bar.2010.10.003

Callao, S., Jarne, J. I., & Laínez, J. a. (2007). Adoption of IFRS in Spain: Effect on the comparability and relevance of financial reporting. *Journal of International Accounting, Auditing and Taxation*, *16*(2), 148–178. doi:10.1016/j.intaccaudtax.2007.06.002

Capkun, V., Collins, D., & Jeanjean, T. (2013). *The Effect of IAS/IFRS Adoption on Earnings Management (Smoothing): A Closer Look at Competing Explanations*. *... Management (Smoothing): A ...* (pp. 1–67). Retrieved from http://scholar.google.com/scholar?hl=en&btnG=Search&q=intitle:The+Effect+of+IAS/IFRS+Adoption+on+Earnings+Management+(Smoothing):+A+Closer+Look+at+Competing+Explanations#0

Chen, Y., & Rezaee, Z. (2012). The role of corporate governance in convergence with IFRS: evidence from China. *International Journal of Accounting and Information Management*, *20*(2), 171–188. doi:10.1108/18347641211218470

Christensen, H. B., Hail, L., & Leuz, C. (2013). Mandatory IFRS reporting and changes in enforcement. *Journal of Accounting and Economics*, *56*(2-3), 147–177. doi:10.1016/j.jacceco.2013.10.007

Christensen, H. B., Lee, E., & Walker, M. (2008). Incentives or standards: What determines accounting quality changes around IFRS adoption? *Journal of Accounting and Economics*, *55*, 1–41.

Chua, Y. L., Cheong, C. S., & Gould, G. (2012). The Impact of Mandatory IFRS Adoption on Accounting Quality: Evidence from Australia. *Journal of International Accounting Research*, *11*(1), 119–146. doi:10.2308/jiar-10212

Conover, C. M., Miller, R. E., & Szakmary, A. (2008). The timeliness of accounting disclosures in international security markets. *International Review of Financial Analysis*, *17*(5), 849–869. doi:10.1016/j.irfa.2007.07.002

Daske, H., Hail, L., Leuz, C., & Verdi, R. (2008). Mandatory IFRS Reporting around the World: Early Evidence on the Economic Consequences. *Journal of Accounting Research*, *46*(5), 1085–1142. doi:10.1111/j.1475-679X.2008.00306.x

De George, E. T., Ferguson, C. B., & Spear, N. a. (2013). How Much Does IFRS Cost? IFRS Adoption and Audit Fees. *The Accounting Review*, *88*(2), 429–462. doi:10.2308/accr-50317

Dechow, P. M., & Schrand, C. (2004). Earnings Quality. *The Research Foundation of CFA Institu*.

Dimitropoulos, P. E., Asteriou, D., Kousenidis, D., & Leventis, S. (2013). The impact of IFRS on accounting quality: Evidence from Greece. *Advances in Accounting*, *29*(1), 108–123. doi:10.1016/j.adiac.2013.01.002

Donaldson, L., & Davis, J. H. (1991). Stewardship Theory or Agency Theory: CEO Governance and Shareholder Returns. *Australian Journal of Management*, *16*(1), 49–64.

Doukakis, L. C. (2010). The persistence of earnings and earnings components after the adoption of IFRS. *Managerial Finance*, *36*(11), 969–980. doi:10.1108/03074351011081286

Doukakis, L. C. (2014). The effect of mandatory IFRS adoption on real and accrual-based earnings management activities. *Journal of Accounting and Public Policy*, *In Press*. doi:10.1016/j.jaccpubpol.2014.08.006

Epstein, B. (2003). *Wiley IAS 2003—Interpretation and Application of International Accounting Standards*. U.S.A.: John Wiley & Sons Inc. Retrieved from http://196.29.172.66:8080/jspui/handle/123456789/1516

Fox, A., Hannah, G., Helliar, C., & Veneziani, M. (2013). The costs and benefits of IFRS implementation in the UK and Italy. *Journal of Applied Accounting Research*, *14*(1), 86–101. doi:10.1108/09675421311282568

FRBN. (2010). Report of the Committee on Road Map to the Adoption of International Financial Reporting Standards in Nigeria. *Road Map to the Adoption of International Financial Reporting Standards in Nigeria*, (January), 1–40.

Georgiou, O., & Jack, L. (2011). In pursuit of legitimacy: A history behind fair value accounting. *The British Accounting Review*, *43*(4), 311–323. doi:10.1016/j.bar.2011.08.001

Gjerde, Ø., Knivsflå, K., & Sættem, F. (2008). The value-relevance of adopting IFRS: Evidence from 145 NGAAP restatements. *Journal of International Accounting, Auditing and Taxation*, *17*(2), 92–112. doi:10.1016/j.intaccaudtax.2008.07.001

Goncharov, I., & Zimmermann, J. (2006). *Do Accounting Standards influence the Level of Earnings Management? Evidence from Germany* (Vol. 31, pp. 1–28).

Gordon, E. A., Jorgensen, B. N., & Linthicum, C. L. (2010). *Could IFRS replace US GAAP? A Comparison of Earnings Attributes and Informativeness in the US Market. Zhurnal Eksperimental'noi i Teoreticheskoi Fiziki* (pp. 1–65). Retrieved from http://scholar.google.com/scholar?hl=en&btnG=Search&q=intitle:No+Title#0

Guerreiro, M. S., Rodrigues, L. L., & Craig, R. (2012). Factors influencing the preparedness of large unlisted companies to implement adapted International Financial Reporting Standards in Portugal. *Journal of International Accounting, Auditing and Taxation*, *21*(2), 169–184. doi:10.1016/j.intaccaudtax.2012.07.006

Hamid, F., Hashim, H. A., & Salleh, Z. (2012). Motivation for Earnings Management among Auditors in Malaysia. *Procedia - Social and Behavioral Sciences*, *65*(ICIBSoS), 239–246. doi:10.1016/j.sbspro.2012.11.117

Healy, P. M., & Wahlen, J. M. (1999). A Review of the Earnings Management Literature and Its Implications for Standard Setting. *Accounting Horizons*, *13*(4), 365–383. doi:10.2308/acch.1999.13.4.365

Hill, C. W. L., & Jones, T. M. (1992). Stakeholder-Agency Theory. *Journal of Management Studies*, *29*(2 March), 131–154.

Hogget, J., Edwards, L., Medlin, J. and Tilling, M. (2009). *Accounting* (7th ed.). Australia: John Wiley & Sons Inc.

Houqe, M. N., Easton, S., & van Zijl, T. (2014). Does mandatory IFRS adoption improve information quality in low investor protection countries? *Journal of International Accounting, Auditing and Taxation*, *23*(2), 87–97. doi:10.1016/j.intaccaudtax.2014.06.002

Houqe, M. N., van Zijl, T., Dunstan, K., & Karim, a. K. M. W. (2012). The Effect of IFRS Adoption and Investor Protection on Earnings Quality Around the World. *The*

International Journal of Accounting, *47*(3), 333–355. doi:10.1016/j.intacc.2012.07.003

Iatridis, G. E. (2012). Voluntary IFRS disclosures: evidence from the transition from UK GAAP to IFRSs. *Managerial Auditing Journal*, *27*(6), 573–597. doi:10.1108/02686901211236409

Isenmila, P. A., & Aderemi, K. (2013). A Perception Based Analysis of the Mandatory Adoption of International Financial Reporting Standards (IFRS) in Nigeria Corresponding Author : Adeyemo , Kingsley Aderemi. *Journal of Emerging Trends in Economics and Management Science*, *4*(January 2012), 203–210.

Ismail, W. A. W., Kamarudin, K. A., Zijl, T. Van, & Dunstan, K. (2013). Earnings quality and the adoption of IFRS-based accounting standards: Evidence from an emerging market. *Asian Review of Accounting*, *21*(1), 53–73. doi:10.1108/13217341311316940

Izedonmi, F. O. (2001). An evaluation of the level of banks' compliance with accounting standards issued by the Nigerian Accounting Standards Board (NASB). *The Nigerian Banker. July-December*, *2*(9). Retrieved from http://scholar.google.com/scholar?hl=en&btnG=Search&q=intitle:An+Evaluation+of+the+Level+Of+Banks'+Compliance+With+Accounting+Standards+Issued+By+The+Nigerian+Accounting+Standards+Board#5

Jayaraman, S. (2012). The effect of enforcement on timely loss recognition: Evidence from insider trading laws. *Journal of Accounting and Economics*, *53*(1-2), 77–97. doi:10.1016/j.jacceco.2011.10.003

Kantudu, A. (2006). *The Impact of Nigerian Accounting Standard Board Act 2003 on Compliance with Accounting Standards on Employee Retirement Benefits in Nigeria. Available at SSRN 1106429* (pp. 1–18). Kano. Retrieved from http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1106429

Kantudu, A. S., & Tanko, D. (2008). *Compliance with the requirements of accounting standard by quoted companies in Nigeria. ... Requirements of Accounting Standard ...*. Retrieved from http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1150973

Kargin, S. (2013). The Impact of IFRS on the Value Relevance of Accounting Information: Evidence from Turkish Firms. *International Journal of Economics and Finance*, *5*(4), 71–81. doi:10.5539/ijef.v5n4p71

Key, & Susan. (1999). Toward a new theory of the firm: a critique of stakeholder "theory." *Management Decision*, *37*(4), 317–328. doi:10.1108/00251749910269366

Kim, O. (2013). Russian Accounting System: Value Relevance of Reported Information and the IFRS Adoption Perspective. *The International Journal of Accounting*, *48*(4), 525–547. doi:10.1016/j.intacc.2013.10.007

Lang, M., & Raedy, J. S. (2003). How Representative Are Firms That Are Cross-Listed in the United States ? An Analysis of Accounting Quality. *Journal of Accounting Research*, *41*(2), 363 – 386.

Leuz, C., Nanda, D., & Wysocki, P. D. (2003). Earnings management and investor protection: an international comparison. *Journal of Financial Economics*, *69*(3), 505–527. doi:10.1016/S0304-405X(03)00121-1

Lin, S., Riccardi, W., & Wang, C. (2012). Does accounting quality change following a switch from U.S. GAAP to IFRS? Evidence from Germany. *Journal of Accounting and Public Policy*, *31*(6), 641–657. doi:10.1016/j.jaccpubpol.2012.10.006

Madawaki, A. (2012). Adoption of International Financial Reporting Standards in Developing Countries: The Case of Nigeria. *International Journal of Business and Management*, *7*(3), 152–161. doi:10.5539/ijbm.v7n3p152

Mirza, A. A. and Holt, G. J. (2011). *Practical Implementation Guide And Workbook For IFRS* (3rd ed.). U.S.A.: John Wiley & Sons Inc.

Müller, V.-O. (2014). The Impact of IFRS Adoption on the Quality of Consolidated Financial Reporting. *Procedia - Social and Behavioral Sciences*, *109*, 976–982. doi:10.1016/j.sbspro.2013.12.574

Negash, M. (2012). IFRS and environmental accounting. *Management Research Review*, *35*(7), 577–601. doi:10.1108/01409171211238811

Paananen, M. (2008). The IFRS Adoption's Effect on Accounting Quality in Sweden. *University of Hertfordshire*, (February). Retrieved from http://www.adoptifrs.org/uploads/Sweden/The IFRS Effect on Accounting Quality in Sweden.pdf

Paglietti, P. (2010). Earnings management, timely loss recognition and value relevance in Europe following the IFRS mandatory adoption: evidence from Italian listed companies. *Economia Aziendale Online*, *4*, 97–117. Retrieved from http://riviste.paviauniversitypress.it/index.php/ea/article/viewArticle/456

Palea, V. (2012). *IAS/IFRS AND FINANCIAL REPORTING QUALITY: LESSONS FROM THE EUROPEAN EXPERIENCE* (pp. 1–28). Torinto.

Palea, V. (2013). IAS/IFRS and financial reporting quality: Lessons from the European experience. *China Journal of Accounting Research*, *6*(4), 247–263. doi:10.1016/j.cjar.2013.08.003

Palea, V. (2014). Are IFRS value-relevant for separate financial statements? Evidence from the Italian stock market. *Journal of International Accounting, Auditing and Taxation*, *23*(1), 1–17. doi:10.1016/j.intaccaudtax.2014.02.002

Pallant, J. (2007). *SPSS Survival Manual* (2nd ed.). Australia: McGraw-Hill international edition.

Ramanna, K. (2013). The international politics of IFRS harmonization. *Accounting, Economics and Law*, *3*(2), 1–46. Retrieved from http://www.degruyter.com/view/j/ael.2013.3.issue-2/ael-2013-0004/ael-2013-0004.xml

Ramanna, K., & Sletten, E. (2009). *Why do countries adopt international financial reporting standards?*. *Harvard Business School Accounting & ...* (pp. 1–48). Harvard. Retrieved from http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1460763

Revsine, L., Collins, D. W., Johnson, W. B. and M. (2012). *Financial Reporting And Analysis* (5th ed.). U.S.A.: McGraw-Hill/Irwin.

Samarasekera, N., Chang, M., & Tarca, A. (2012). IFRS and Accounting Quality: The Impact of Enforcement. *Available at SSRN 2183061*, *1*(1), 1–47. Retrieved from http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2183061

Soderstrom, N. S., & Sun, K. J. (2007). IFRS Adoption and Accounting Quality : A Review. *European Accounting Review*, *16*(4), 675–702.

Srivastava, A., & Bhutani, P. (2012). IFRS in India: Challenges and Opportunities. *The IUP Journal of Accounting Research*, *XI*(2), 6–33. Retrieved from http://ideas.repec.org/a/icf/icfjar/v11y2012i2p6-32.html

Subramanyam, K. R. (2014). *Financial Statement Analysis* (11th ed.). U.S.A.: McGraw-Hill international edition.

Tsalavoutas, I., André, P., & Evans, L. (2012). The transition to IFRS and the value relevance of financial statements in Greece. *The British Accounting Review*, *44*(4), 262–277. doi:10.1016/j.bar.2012.09.004

Tsalavoutas, I., Evans, L., & Smith, M. (2010). Comparison of two methods for measuring compliance with IFRS mandatory disclosure requirements. *Journal of Applied Accounting Research*, *11*(3), 213–228. doi:10.1108/09675421011088143

Verstraete, T. (2006). Connecting Stakeholders Theory and Conventions Theory to Highlight the Adhesion of Stakeholders to the Business Model of a Start-up. *World*, (June), 1–13.

Voulgaris, G., & Walker, M. (2011). *IFRS and the Use of Accounting-Based Performance Measures in Executive Pay*. *Social Science Research Network* (pp. 1–75). Manchester.

Warfieid, T. D., Wild, J., Wild, L., Biggs, S., Dharan, B., Forbes, W., … Watts, R. (1995). Managerial ownership , accounting choices , and informativeness of earnings. *Journal of Accounting and Economics*, *20*(1), 61–91. doi:10.1016/0165-4101(94)00393-J

Yaacob, N., & Che-Ahmad, A. (2012). Audit Fees after IFRS Adoption: Evidence from Malaysia. *Eurasian Business Review*, *2*(1), 31–46. Retrieved from http://ideas.repec.org/a/ebz/ebrjrn/v2y2012i1p31-46.html

Yip, R. W. Y., & Young, D. (2012). Does Mandatory IFRS Adoption Improve Information Comparability? *The Accounting Review*, *87*(5), 1767–1789. doi:10.2308/accr-50192

Zéghal, D., Chtourou, S., & Sellami, Y. M. (2011). An analysis of the effect of mandatory adoption of IAS/IFRS on earnings management. *Journal of International Accounting, Auditing and Taxation*, *20*(2), 61–72. doi:10.1016/j.intaccaudtax.2011.06.001

Zeghal, D., & Mhedhbi, K. (2006). An analysis of the factors affecting the adoption of international accounting standards by developing countries. *The International Journal of Accounting*, *41*(4), 373–386. doi:10.1016/j.intacc.2006.09.009