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

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DECLARATION

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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.

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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).

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