FACTORS PROMOTING THE ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS): THE PERCEPTION OF MANAGEMENT IN NIGERIA

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ABSTRACT

This study investigates the factors that promote the adoption of IFRS, via the perception of management among the listed companies in Nigeria. A research model was developed to indicate the relationship among government policy, company size, educational level, capital market, that were argued to have significant positive relationship on the adoption of international financial reporting standards. This study is based on survey design, and the hypotheses have been tested using multiple regression analyses. Results indicated that, government policy, educational level and capital market have a positive significant relationship with the adoption of international financial reporting standards, while company size was found to be insignificant with the adoption of international financial reporting standards. The study recommends that, company size should be properly taken into consideration either in terms of small, medium, and large size in order to ensure smooth transition from Nigerian GAAP to full adoption of IFRS in the country.

Keywords: international financial reporting standards, government policy, company size, educational level, capital market, Nigerian generally accepted accounting principles.

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LIST OF ABBREVIATIONS

BOFIA: Banks and Other Financial Institutions Act.

BVE: Book Value of Equity.

CBN: Central Bank of Nigeria.

FGN: Federal Government of Nigeria

FRCN: Financial Regulation Council of Nigeria.

GAAP: Generally Accepted Accounting Principles.

IAS: International Accounting Standards.

IASC: International Accounting Standards Committee.

IFRS: International Financial Reporting Standards.

NAICOM: Nigerian Insurance Commission.

NASB: Nigeria Accounting Standards Board.

SEC: Securities and Exchange Commission.

UK: United Kingdom.

US: United States.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

Countries world-wide have been pursuing the same purpose when coming to the welfare of their economy, and that is to be part of the increasingly dynamic global market. This is an aim mainly pursued by developing countries more than any other countries. Globalization has played a key role in this by dissolving the boundaries between countries and financial markets. The increase in multinational company activities, economic co-operations and political unifications among developed countries increases the efforts of developing countries to be a part of this global market, which in turn requires transparent financial information (Alp & Ustundag, 2009). Economic and political factors have contributed to the sudden rush of the international community's to converge their national generally accepted accounting principles (GAAP) with the International Financial Reporting Standards (IFRS) (Fontes, Alexandra, Rodrigues, & Russell, 2005). This indicates the power and pervasive nature of globalization (Neu & Ocampo, 2007), and has resulted in the institutionalization of a new regulatory regime. Domestic economies have become increasingly vulnerable to the "external shocks" caused by an "expanding world economy", necessitating the adoption of globalized practices if they are to function effectively (Lehman, 2005).

As indicated earlier, globalization has been considered one of the many factors that have had a considerable influence on many countries world-wide to adopt IFRS, mainly developing countries. But many of the developed countries have either immediately converged their national standards with that of the IFRS or have made it voluntary for the time being seeing to the complex structure of their financial economies, and later making it a mandatory practice. Since the beginning of 2005, it has been necessary for all entities whose headquarters are within EU borders and registered in the stock exchange to apply IFRS (Yalkin, Demir, & Demir, 2008). Other important economically developed countries, including Japan and the United States, currently have programs in place to converge their national standards with IFRS (Tsakumis, Campbell, & Doupnik, 2009). It has been found that, more than 100 countries around the world have already adopted IFRS or are in the process of doing so (Barth, Landsman, & Lang, 2008; Daske, Hail, Leuz, & Verdi, 2008) . It has also been estimated that by December of 2011 about 150 countries would be using accounting standards similar to that of the IFRS even though some countries have adopted versions of IFRS that deviate from those that are published by the IASB (Tsakumis et al., 2009). Even though there has not been a pre-determined date of when all developing countries will be required to comply with IFRS, there have been some countries who have taken the initiative to adopt or adapt the IFRS to their particular environment (Zeghal & Mhedhbi, 2006).

Nigeria is a country that is being characterised by various institutional interest group, and these interest groups plays a substantial role to the adoption of IFRS in the country. One of this interest group is the legal framework, which is characterised with plethora of laws and regulations that provide legal basis for accounting and financial practices in Nigeria. However, the main legal framework for corporate reporting and auditing practice is the Companies and Allied Matters Act (1990). As noted by Iyoha and Oyerinde (2010), "Nigeria does not lack the required legal backing for her financial transactions". But, Okaro (2004), observed that, the challenge with Nigerian legal frameworks is in the archaic nature of the financial rules and regulations in force in the country. The position of Okaro, is further reinforced by the assertion of Iyoha and Oyerinde, which suggests that Nigerian laws suffer from severe weakness in enforcement, compliance and regulation. This weakness was noted by World Bank (2004) which observed that "the process of adjudication on cases in Nigerian court is so slow that regulators are discouraged from seeking support from the courts and law enforcement agencies in enforcing sanctions" NASB (now Financial Reporting Council of Nigeria (FRCN)), sets local accounting standards under the Nigerian Accounting Standards Board Act of 2003. According to the World Bank, (2004), although the NASB's issued standards have statutory backing, the body itself, operated without an enabling legal authority until the 2003 enactment of the NASB Act. The World Bank further observed that NASB lacks adequate resources to fulfil its mandate. As a government agency, NASB has relied on government subventions and has been exposed to serious budgetary constraints that hinder its performance. With these arrays of issues there becomes the need to find out the need to which the NASB (FRCN) can push for the realization of the objective of adoption of IFRS and the likely factors that may promote the adoption of IFRS in relation to the perception of management in the country.

It is on this note that, this study wants to investigate the potential factors that could promote the proper adoption of IFRS in Nigeria, despite the proposed rule and the roadmap issued by the Nigerian government on the 28th July 2008, which outlined the adoption of IFRS into phases as 1st January 2012, 2013, and 2014, for listed companies, other public interest entities and small and medium - size entities respectively (Abdulkadir, 2012). The study of this nature is motivated as a result of the proposed roadmap, because there could be other factors that may promote the switch from Nigerian GAAP to the new international standards which the management may stand in a better position to know. As a result, this research set certain variables that would be tested against the reality of IFRS adoption in Nigeria.

1.1 Problem Statement

Nigeria remains one of the countries that are yet to fully adopt the IFRS, even though developed countries like France and Germany have both adopted it (IASB, 2003). Adoption of IFRS improves the quality of corporate reporting practices and enhances the comparability, reliability and relevancy of financial statement. In most of the accounting literatures, a number of studies have provided evidence that adoption of International Accounting Standards would improve the quality of accounting information (Ashbaugh & Pincus, 2001; Wallace & Briston, 1993).

According to Gray (1989) there is a consensus that accounting need to be studied in the context in which it operates to minimise the methodological problems of cross cultural research. Zeghal (2006) further revealed that, there is lack of adequate research in developing International Accounting Standards in developing countries. Most of the researches have been conducted in developed countries. More importantly, there is an urgent need for research in developing countries in order to understand the factors that could encourage or promote the adoption of IFRS. Determining the factors that could promote the adoption or non adoption of IFRS principles are not just one but require a multi-faceted approach, (Abdelsalam & Weetman, 2003; Zeghal & Mhedhbi, 2006). These include education, external economic openness, capital size, cultural affiliation, existence of capital market and language. In line with the submission made by Zeghal (2006), there is a cogent need to look at the factors that may promote Nigeria as a country to fully adopt the IFRS, despite the government proposed roadmap for the phase to phase adoption of the standards. As such this study is tailored towards understanding the above reasons with special reference to the variables generated from the gap created from latest researches which emphasizes future research in this field. Therefore, this study is focussing towards identifying the factors that could promote the adoption of IFRS in relation to management perception in the country.

1.2 Research Questions

The study is designed to answer the following questions:

1. What is the relationship between government policy and the adoption of IFRS?

2. What is the relationship between company size and the adoption of IFRS?

3. What is the relationship between educational level and the adoption of IFRS?

4. What is the relationship between capital market and the adoption of IFRS?

1.3 Research Objective

The main objective of this study is to examine the factors that may promote the fully adoption of IFRS with special reference to Nigeria. Specifically, this research aims to achieve the following objectives:

1. To examine the relationship between government policy and the adoption of IFRS.
2. To examine the relationship between company size and the adoption of IFRS.
3. To examine the relationship between educational level and the adoption of IFRS.
4. To examine the relationship between capital market and the adoption of IFRS.

1.4 Significance of the Study

It attempts to understand the factors that could encourage or promote the adoption of IFRS in Nigeria. Understanding these factors will impact positively for a number of organisations and decision makers in the country, and the government to further consider the implications of it proposed roadmap. More importantly, this study is quite significant; because it is thus the first study. In the same vein, the study will serve as a reference point to the relevant government authority the need of seeking the perception of management in the policy formulation of the country.

The study will also serve as an academic contribution in bridging the gap created in the literature in developing countries in relation to international financial reporting standards.

1.5 Scope of the Study

This study is limited to the companies listed in the Nigerian Stock Exchange (NSE). The study focuses only on the factors that could promote the adoption of IFRS via the perception of management in Nigeria. This study was tailored towards company level.

1.6 Organisation of the Study

This dissertation comprises five chapters. The dissertation starts the research report with an introduction to the study. The introductory chapter begins with the introduction; following the introduction is the problem statement which presents the study's research gap. This chapter also include research questions, objective of the study, and significance of the study as well as the scope of the study. The second chapter reviews the literature on IFRS and is divided into three sections. It starts with the financial reporting and regulatory framework in Nigeria, followed by the advantages and benefits of adopting IFRS, and then ends with the factors that promote countries to adopt IFRS. The methodology of the study is the focus of chapter three. The chapter consists of seven sections. The chapter starts with a brief introduction, following the introduction is the research framework of the study and then the hypotheses of the study are presented. Other sections that followed include research design; measurement of variables; data collection and data analysis techniques. Chapter four presents the analysis of the data. Chapter five summarizes the research findings, discusses the results of the findings, contribution of the study and recommendations were made for future research.

CHAPTER TWO

LITERATURE REVIEW

2.1 Financial Reporting & Accounting Regulation in Nigeria

Regulation of accounting information is aimed at ensuring that users of financial statements receive the amount of information that will enable them take meaningful decisions regarding their interest in a reporting entity. The bodies responsible for these regulations are often statutory agencies such as the Accounting Standards Board, (now the Financial Reporting Council of Nigeria as a result of the Financial Reporting Council of Nigeria Act, 2011, enacted on the 7th June, 2011), Securities and Exchange Commission and the Stock Exchange. The bulk of this framework is usually contained in Accounting Standards. The Nigerian Accounting Standards Board (NASB) which is known as the Financial Reporting Council of Nigeria (FRCN) is the body responsible for the issuance of Accounting Standards in Nigeria. This board was initially an advisory body responsible for the production of standards that will serve as a guide to Accountants in the preparation of financial statements. Until 2003, when the NASB Act was enacted, which now made it mandatory for accountants preparing corporate reports to adhere strictly to the provisions of the Accounting Standards issued by the board, the standards were treated as just generally accepted accounting principles. This mandatory approach arises from the fact that there is the need to:

(a) ensure uniformity in the preparation and presentation of corporate reports throughout the country;

(b) ensure that accountants comply with the Generally Accepted Accounting Principles in the discharge of their functions;

(c) ensure that the standards comply with existing regulatory frameworks;

(d) ensure that the standards comply with the domestic accounting need of the country. With the passing into law of the NASB Act 2003, the NASB is now the only body recognized by law for the development, issuance and review of accounting standards for preparers and users of financial statements.

2.1.1 Other Regulatory Framework

Other institutions responsible for the regulation of accounting information in Nigeria include:

(a) The Central Bank of Nigeria (CBN);

(b) The Nigerian Insurance Commission (NAICOM);

(c) The Securities and Exchange Commission (SEC).

Each of these regulatory authorities has an enabling law that guides the activities of the various institutions operating in the sector. The CBN has the Banks and Other Financial Institutions Act (BOFIA) 1991; NAICOM has the Nigerian Insurance Act 2003, while the SEC has the Investment and Securities Act, 1999. These Acts provide some specific requirements relating to the accounts of every corporate entity within its fold. BOFIA, for instance provides specific requirements relating to the minimum paid up capital, statutory reserves, lending limit, classification of assets, returns and publication of annual accounts by banks.

The Insurance Act also provides for the minimum paid up capital, types and classification of insurance businesses, statutory deposit, books and accounting records to be kept, maintenance of technical reserves and solvency margin required by all insurance businesses in Nigeria. The Investment and Securities Act on the other hand makes provision for the registration of capital market operators, public offer and sale of securities and mergers, take-over and acquisitions. All these requirements are made to supplement the elaborate provisions of the Nigerian Accounting Standards.

2.1.2 Functions of the Financial Regulation Council of Nigeria.

The council's functions as provided in section 6 of the Act include the following:

(a) developing and publishing in public interest, accounting standards to be observed in the preparation of financial statements;

(b) reviewing from time to time the accounting standards developed in line with the prevalent social, economic and political environments;

(c) promoting and enforcing compliance with accounting standards developed or reviewed by the Board;

(d) promoting the general acceptance and adoption of standards by preparers of financial statements;

(e) receiving from time to time notices of non-compliance with its standard from the preparers, users and auditors of an account;

(f) receiving copies of all qualified reports together with detailed explanations for such qualifications from auditors of the accounts within a period of 60 days from the date of such qualifications;

(g) advising the Minister on the making of regulations under S. 356 of Companies and Allied Matters Act;

(h) advising the Federal Government on matters relating to accounting standards;

(i) performing such other duties which, in the opinion of the Council, are necessary or expedient to ensure the efficient performance of the functions of the Board under this Act.4

2.1.3 Powers

Powers of the council's include the following:

(a) Identifying accounting statements which require standardization and establish order of priority for addressing them;

(b) Determining the scope and objectives of each standard;

(c) Prescribing the methods and procedure for the production of standards;

(d) Prescribing the time-table for the production of standards;

(e) Approving discussion papers, exposure drafts and standards;

(f) Enforcing and approving enforcement of compliance with accounting standards in Nigeria; and

(g) Exercising such powers as are necessary or expedient for giving effect to the provisions of this Act.

2.1.4 Process of Producing an Accounting Standard

The procedure to be adopted in the production of an accounting standard is provided under section 8 of the Act as follows:

(a) choice of a topic for standardisation;

(b) prepare and publish exposure draft;

(c) allow at least three months for comments by stakeholders;

(d) conduct a public hearing where necessary;

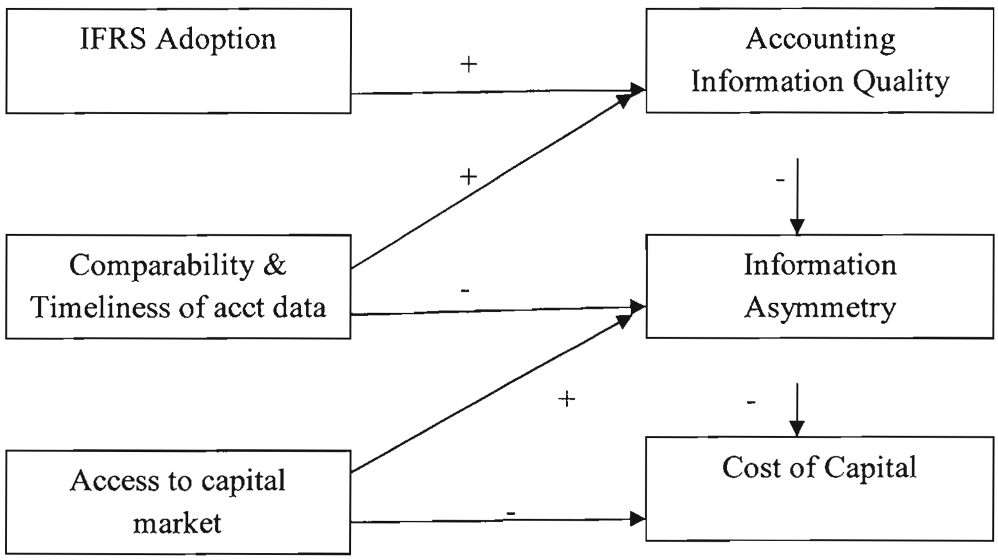
(e) incorporate all reasonable additional ideas to the documents;

(f) issue a statement of accounting standard.

2.2 Advantages and Benefits of Adopting IFRS

According to Jermakowicz and Gornik-Tomaszewski (2006), the benefits and advantages derived from IFRS adoption result from higher information quality, greater comparability and timeliness of accounting data, less information asymmetry, better access to foreign capital markets and lower cost of capital. Figure 2.1 illustrates the association between the expected benefits.

Figure 2.1. Expected advantages and benefits from IFRS adoption. Adapted from Benetti (2011).



The adoption of IFRS is expected to increase the quality of accounting information, resulting in more comparable and timely accounting data and in lowering information asymmetry as shown in the diagram above.

2.2.1 Eliminating Barriers to Cross border Investing

As already mentioned, one benefit sought by adopting IFRS is the elimination of barriers to cross border investing. According to DeFond, Hu, Hung, and Li (2011), the removal of barriers to cross-border investing by adopting IFRS can be found in the decisions of international investors, whereby US mutual funds increased their holdings in European companies that adopted IFRS relative to their holdings in a control group of companies domiciled in non IFRS adopting countries. Similarly, IFRS adoption has led to increased stock ownership by international mutual funds, which was attributed to reduced information processing costs and greater comparability of financial statement (Yu, 2009). Similarly, Florou and Pope (2009) used a global ownership database covering more than 144,000 institutional investors around the world to study changes in equity ownership, following the adoption of IFRS, it was found that ownership increased in the adoption year and the subsequent year as well, but only in countries where there was stricter legal enforcement, lower corruption levels and relatively low levels of earnings management. In a study conducted by Chalmers, Clinch, Godfrey, and Wei (2010), it was found that, IFRS adoption in Australia had resulted in more accurate earnings forecasts, where reported goodwill was a larger component of the firm's assets, i.e. greater accuracy was attributed to the introduction of impairment testing under IFRS in lieu of amortization, which had been required by Australian accounting standards before 2005. In the same vein, Karamanou and Nishiotis (2009) found that, analysts upgraded their recommendations following the adoption of international accounting standards.

2.2.2 Comparability

In the context of accounting standards, comparability refers to the ability to use accounting data to draw inferences about similarities and difference both between entities and for the same entity over time (Brown, 2011). Clarkson, Hanna, Richardson, and Thompson (2011), study the adoption of IFRS in Australia and Europe, with special reference to the year 2004, as reported pre IFRS data and the 2004 as restated to post IFRS data in 2005 annual report, they found that, at least for 2004, IFRS so improved the comparability of accounting information produced by companies domiciled in common law and code law countries that, post IFRS, legal origin no longer helped explained the size of the pricing error. Also Barth, Landsman, Lang, and Williams (2011), found the adoption of IFRS improved the comparability of a firm's results with those of US firms reporting under US GAAP, although differences have remained.

Furthermore, Cascino and Gassen (2010), also studied the changes in the comparability of accounting numbers in Germany and Italy, both code law countries, they found that comparability may have improved post IFRS, incentives at both country, regional and firm levels.

2.2.3 Usefulness and Value Relevance

Many studies have compared the usefulness or value relevance of domestic GAAP and IFRS to investors (Brown, 2011). Devalle, Onali, and Magarini (2010) found that IFRS - based earnings have had greater explanatory power for returns in Spain, Italy and the UK while book value of equity (BVE), had greater explanatory power for prices in France, Germany and the UK. Also, BVE played a greater valuation role under IFRS than under local GAAP, which resulted to a marginal improvement for IFRS relative to local GAAP in Finland (Jarva & Lantto, 2010). In the same vein, Barth et al. (2008) determined the quality of reported profits by reference to properties such as value relevance, appropriateness and earnings management. In an analysis of 21 countries, they found that the figures reported by firms applying IFRS are more relevant for valuation purposes, recognise losses on a more appropriate basis and are less affected by earnings management than the information disclosed by companies preparing their financial statements on the basis of local standards. They also observe an improvement in the quality of financial reporting since the application of IFRS.

An Australian study found no evidence that IFRS earnings and BVE are more value - relevant than the corresponding Australian GAAP (A - GAAP) measures, but closer inspection shows that again the goodwill component of the differences between IFRS and A - GAAP did improve value relevance (Goodwin, Ahmed, & Heaney, 2008). Furthermore, Chalmers et al. (2010), on a study conducted between the period 1999 - 2008 which confirmed lack of improvement in the combined explanatory power of earnings and BVE, although the explanatory power of earnings did in 2008). Only minor benefits followed when companies in Greece adopted IFRS, where the benefits were measured by conditional conservatism and relevance (Brown, 2011). In contrast, KaytmazBalsari, Ozkan, and Durak (2010) revealed that timeliness and earnings improved post IFRS, especially among large firms. Little results of increased value relevance was found following adoption of IFRS (capitalization along with impairment testing, instead of immediate write off or amortization) was more value relevant (Gjerde, Knivsfla, & Saettem, 2008). Only minor benefits followed when companies in Greece adopted IFRS, where the benefits were measured by conservatism improved in a neighbouring country, Turkey, with the post adoption improvement being more noticeable among financial firms. Moving our attention to Asian region, in Malaysia, there has been a closer relationship between stock price and BVE and earnings in the post IFRS period (Kadri & Zulkifli, 2008), while both the value relevance of earnings and earnings quality have improved (Wan Ismail, Dunstan, & Van Zijl, 2010). Other studies in the area of value relevance of accounting information included the studies of Lourenço and Curto (2008), Hung and Subramanyan (2007), Bartov, Goldberg and Kim (2005).

Lourenço and Curto (2008) results provided evidence of the change from a context where accounting numbers are significantly more value relevant in the Anglo-Saxon than in Continental countries (pre-IFRS period) to a context where the value relevance of accounting numbers differs significantly between countries with different levels of shareholder protection (IFRS period). The findings suggested the importance of considering shareholder protection when promoting the adoption of IFRS instead of local accounting standards. The conclusion in the study of Hung and Subramanyam (2007) and Bartov, Goldberg, and Kim (2005) revealed that the book value, net income and comparative value relevance are no more value relevant under IFRS than under German accounting rules.

Findings are mixed, with some studies showing that the change to IFRS improved value relevance (Harris & Muller, 1999; Bartov et al., 2005; Horton & Serafein, 2008), and others that it worsened value relevance (Eccher & Healy, 2003; Lin & Chen, 2010), while others found no conclusive evidenced either way (Hung & Subramanyam, 2007; Clarkson et al., 2008).

2.2.4 Information Asymmetry

Expected benefits of IFRS adoption are also related to information asymmetry. Dumontier and Maghraoui (2007) found that, adoption of IFRS increased the value relevance of accounting figures, decreasing information asymmetry between both insiders and outsiders. In the same vein, Pae, Thornton, and Welker (2008) found that investors expect mandatory IFRS adoption to reduce both agency costs associated with ownership concentration and information asymmetry in EU.

Similarly, Auer (1996) compared the stock price reactions to earnings announcements before and after the adoption of the new standards. The evidence showed that, the switch from Swiss GAAP to IAS was accompanied by an increased of stock price reaction at the earnings announcements dates. This results showed that earnings based on IAS/ IFRS have more information content than those based on Swiss GAAP, and consequently the switch to IFRS led to higher accounting quality.

On the other hand, Landsman, Maydew, and Thornock (2011) investigated the information contents of earnings announcements, as measured by abnormal returns, during the early stages of mandatory IFRS adoption. They found an increased in the information contents of earnings announcements after IFRS adoption for code law countries. Armstrong, Barth, Jagolinze, and Riedl (2009) examined European stock market reaction to 16 events associated with the adoption of IFRS. They document an incrementally positive reaction for European firms with low pre adoption information quality and higher pre adoption information asymmetry. Their finding suggests the market perceived, the adoption of IFRS improves the information transparency and earnings quality.

2.2.5 Cost of Capital

Another benefit derived from the adoption of IFRS is a decrease in the firm's cost of capital. Daske, Leuz, and Verdi (2008) observed that the cost of capital of mandatory adopters of IFRS had decreased by 26% the year before IFRS implementation. Kosi and Florou (2009) also present evidence that mandatory IFRS adopters are more likely to issue public bonds and experience a decrease in bond yield spreads because of the enhancement in the quality and comparability of their financial statement. Jermakowicz and Gornik - Tomaszewski (2006), laid emphasis on 112 European firms in 2004, it was discovered that 42% of respondents disagree that conversion to IFRS would lowered the cost of capital, which is in contrast with the conclusion reached by Daske, Leuz, and Verdi (2008) that IFRS adoption does not necessarily reduced the expected costs of equity capital. On the other hand, Daske (2006) investigates the cost of capital for German firms during the period from 1993 to 2002. He found that the adoption of IAS or IFRS does not help to reduce the cost of capital. But, Li (2010) founds that, in EU countries with strong enforcement systems, the cost of equity capital decreased after the mandatory adoption of IFRS.

2.2.6 Accounting and disclosure quality

There are number of studies that argued on the benefits, IFRS adoption has brought in the form of higher quality financial statements. In Australia, Germany, and Switzerland, experts had rated the quality of disclosures by companies in these countries. Daske and Gerbhardt (2006) discovered that disclosure had improved under IFRS in the three countries above, which accounted for more than half the companies known to have adopted IFRS in 2004. Van Tendeloo and Vanstraelen (2005) concluded that adoption of IFRS did not constrain earnings management compared to German GAAP, meaning companies that did adopt IFRS subsequently engaged in more income smoothing, not less , although the effect was not as apparent among firms with a big 4 auditor. Another related study found that accounting quality, indicated by several proxies for the degree of earnings management, did not improved in Germany following adoption of IFRS (Goncharou & Zimmermann, 2006). Similarly, Ahmed, Neel, and Wang (2010) conducted a study based on a sample of over 1600 companies in 21 countries in the year 2005 where IFRS were adopted, reported firms exhibited more income smoothing, less conservatism in their accruals and less timely loss recognition.

However, other studies found contrary results. Aussenegg, Inwinkl, and Schneider (2008) employed 15 proxies to measure earnings management in 17 European countries. It was discovered that there was less earnings management post adoption in central European countries, even though there was no significant changed for companies in the UK, Ireland or Northern Europe. Barth et al. (2008) also revealed that, accounting quality improved after companies adopted IFRS, for a sample drawn from 21 countries, in that there was less earnings management and more timely loss recognition. Another study who made used of five indicators to compare changes in accounting quality of companies in 15 European countries following adoption of IFRS, in addition with mixed results (Chen et al., 2010), on one hand, quality appeared to increased, since the absolute size of discretionary accruals declined and there appeared to be less managing of earnings towards targets. Two other measures of the quality of earnings are either time series persistence or their ability to predict future cash flows. Atwood et al. (2011) found that, IFRS and domestic GAAP earnings have been found to be indistinguishable according to these two measures. It can be seen that, not all studies have reached the same conclusion.

2.2.7 The influence of standards relative to managers' incentives

Several studies argued that managers' incentives always dominate standards in determining accounting quality. Studies conducted in German companies revealed the extent of earnings management, and timely loss recognition has been measured before and after adoption of IFRS. Christensen et al. (2008) classified the German companies into two categories, the early (voluntary) adopters and those that resisted adoption (that is, they choose not to adopt IFRS until they were required to do so in 2005, improvements really occurred only among the former in terms of earnings management. In the Asian economies, there are relatively few studies. Ball et al. (2003) measured earnings quality by Basu type timeliness. Reported incentives in Thailand and Singapore were said to have much in common with code law countries, but institutional characteristics were consistent with reduced demand for higher quality reports. Gunther et al., (2009) also claimed that, capital market environment and the economic cycle during the adoption period are more powerful explanations for differences in earnings quality indicators than voluntary or mandatory adoption of IFRS. It implied that, managers' incentives as showed in the voluntary IFRS adoption do not apparently overshadowed accounting standards in the context of earnings quality.

2.3 The Relevance of IFRS to Developing countries (Nigeria)

Several researches have been on the relevance of International Accounting Standards (IAS) to developing nations. There were mixed findings on the relevance of IAS to developing countries among authors.

Chamisa (2000) on a study conducted in Zimbabwe concluded that IAS is relevant to developing countries that practiced capitalism. On the other hand Perera (1989) found that IAS is not relevant to developing countries since the standards were set by the developed or industrializes countries. In the light of the above, to what magnitude is the adoption of IFRS beneficial to Nigeria as a country? What bearing do IFRS have on the economy of Nigeria? Why would Nigeria not develop accounting standards for their own use? Finally, does Nigeria have the necessary infrastructural structures to fully implement the IFRS? To examine the impact and the relevance of

International Accounting Standards to Nigeria, the possible dimensions employed by Chamisa (2000) would be fully utilised for this study. These key determinants of the relevance of IAS in developing countries are but not limited to; the accounting needs factor of the country, the existence of capital markets, the similar environment argument and the size of the private or public sector.

2.3.1 The Accounting Needs Factor

Financial accounting and reporting standards are generally required to provide timely financial information to investors, government and the general public. Nevertheless, most of the developing countries lacked the appropriate structure and funds to developed their own accounting standards and policies. The number of professional accounting bodies, in most developing countries is still in their conceptual state, and hence lacked the technical expertise to developed local national accounting standards. As a result Scott (1968) suggested that, it is a step in the right direction to transfer accounting technology which is appropriate for the need of developed countries to developing countries. In such cases developing countries adopted standards that are relevant, while they ignored those that are not relevant. A typical case happened in Zimbabwe where they only adopted those standards that suited their accounting need. Some countries, such as Egypt also modified some of the standards to suit the need of their respective countries. This scenario allowed developing countries that cannot developed their local accounting standards to turned accounting standards developed by the International Accounting Standards Board (IASB) without any difficulty. However, the ability of developing countries to contribute to the developing of standards to a large extent explained the reason why those countries have moved away from adopting the US and UK's GAAP. Chamisa

(2000) posited that, when developing countries adopted the IASC standards as national standards, the primary objective is not to achieve international accounting harmonisation, but to meet their need for appropriate accounting and reporting standards. The above statement explained why some IFRS are not adopted, while others are modified to suit the country in questioned.

Similarly, Chamisa (2000) found that, the international accounting harmonisation objective is pursued by developing countries only when the standards failed to conflict with domestic accounting need, laws, and regulations. In short, the adoption of IFRS is relevant to Nigeria, since the country depended relatively on capital inflows from foreign donors, International Monetary Fund, World Bank and the United Nations, and other foreign channels formed the core source of generated revenue in most developing countries of which Nigeria is among. All these international institutions, have given an unwavering support to the adoption and compliance to IFRS, and even insisted on the adoption by nations seeking financial grand from them, which further mandated the need for Nigeria to devised means of adopting the standards.

2.3.2 The Capital Market Effect

Upon all the impended factors noted to promote the adoption of IAS in developing countries, capital market is singled out as one of the most important (Zeghal et al., 2006). Choi et al. (2007) also buttressed on the importance of capital market to the adoption of IFRS. Perera (1989) conducted a study in the US and UK, discovered that most of the origin of IFRS are linked to the development of these accounting standards to the existence of capital market which could said to be interdependent. However, most of the scholars argued that, capital markets in developing countries are small and inefficient and hence the adoption of IFRS is therefore irrelevant to them. But, Scott (1968) viewed that, useful accounting reports and appropriate accounting and auditing standards are essential for the development of the capital markets. These findings proved the relevance of IFRS to the development and sustenance of the Nigerian capital market and other developing countries as well. As supported by Mahon improved standards of financial reporting and auditing are needed in many countries to developed internal capital markets.

2.3.3 The Similar Environment Argument

Samuels and Oligar (1982) pointed that, where economic, socio political, cultural, and contextual differences between countries, nations, or societies exist, the problem of appropriate accounting standards will assumed a different conceptual meaning as well as contextual significance in the case of developing countries where such differences tended not to pronounced, but also in a highly dynamic and fluid state, the relevance of IAS became even more questionable. With Egypt as a referenced point, the argument above was made as Samuels and Oliga (1982) .The authors further claimed that, in a situation where differences exist in the social, cultural and economic practices among countries, the measuring and significance of accounting standards would assume different paradigm. They further posited that, the great difference between developing and developed countries in the aspect of economy, society and culture rendered IFRS irrelevant to the economy of developing countries, which according to their argument IFRS were developed mainly with the economy of the developed countries in mind and for that reason, would be very inappropriate when adopted by developing countries such as Nigeria, Kenya, Uganda to mentioned a few. As such different environment lead to different accounting objectives and standards. Considering the environment where the study was conducted, Egypt had to change its accounting standards to be at par with the new national economic environment which laid more emphasis on the public, thereby made the observance of IFRS immaterial. Point to be noted was that, developing countries of whose their economic environment is similar to the economies of the developed countries, that is UK and US, made to benefit from the adoption and observance of IFRS. On the other hand, the political system, economic system, legal system, accounting system, customs, religion, language, educational system and cultures of almost all former colony of Britain of which Nigeria is among, had one or two of the above features. It is therefore noted that, Nigeria economic environment and other countries like Sierra Leone, Gambia and Malaysia, colonised by the British is of the same type as that of their former colony. As such, most of these colonies have adopted the IFRS or have used them as the basis for setting their accounting standards given the fact that, the IFRS originated from the UK. In that, only former French colonies have adopted the French uniform accounting system (Perera, 1989). These arguments stressed the vital role that, similarity between the economic environments of developed and developing countries played in the IFRS adoption in developing nations. In the light of these, IFRS can thereby said to be very important to developing countries, such as Nigeria which had similar economic environment to the UK.

2.3.4 The Private Sector

Samuels and Oliga (1982) argued that, in developing countries, public sector is very large and dominated the economy. Based on their viewed, communistic countries governance can be traced to most developing countries. They are of the viewed that, the above factor brought to the fore the irrelevance of the IFRS to developing countries which nationalisation of foreign assets, is stated to be one of the attribute of communistic economies which failed to provide the necessary conditions for the thriving of IFRS. To our knowledge a larger number of critics on the relevance of IFRS to developing countries based on their study on developing countries, which at some point in time were communist such as Indonesia, Sri Lanka and Egypt. These countries changed their economic strategy from capitalistic to communistic economies hence rendering the adoption and observance of IAS at some point in time irrelevant. On the other hand, capitalistic economies are oriented towards information. Furthermore, capitalist economies are oriented countries that had little need of published annual reports such that it information need is tailored to suit specific needs of the economy of the country. Precisely, the IAS aimed purposely at providing financial information to satisfy the information needs of private investors which emphasised its relevance to developing countries practicing capitalism. In capitalistic economy, the private sector is paramount and for that matter private companies raised funds from investors. Investors invest in companies with the viewed to reap profit which compelled them to scrutinize carefully the financial statements reports of potential companies they wish to invest in. To really satisfy the need of investors, it was mentioned that a well recognised standards should be used. More so, we should not loosed sight of the fact that, private investors in most instanced are foreign individual and institutions whose main goals are focused toward maximum profit from their investment. In this light therefore, IAS served as the only remedy for companies seeking funds to boost their performance since it harmonizes or standardizes accounting standards among countries that ensured comparability of results. Capitalistic countries such as Nigeria, Zimbabwe, Singapore, India, Malawi, Kenya and others are yet to adopt or have adopted the IAS as their national standards and also used them as the basis for setting their national standards.

2.4 Factors Promoting Countries to Adopt IFRS

Government policy of a country plays an important role in IFRS adoption in many developing countries (Chamisa, 2000; Najar, 2007). According to Najar (2007), government policy affects the adoption or non adoption of IFRS in developing countries. In the same vein, Tucker et al. (2002), also found where government policy is hostile to the foreign and global principles, the adoption of IFRS may be impossible. In a similar study by Rahaman and Zaman (2005) on the adoption of international accounting standards in Bangladesh, it was found that government policy has positive roles to play in the adoption of IFRS for the purpose of developing accounting and auditing standards. Belkaouni (2004), conducted a study in Kazakhstan, also discovered that government decision has significant role to play in the adoption of IFRS instead of Kazakhstan Accounting Standards (KAS). Joshi and Ramadhan (2002) found that government policy has a positive role to play in IFRS adoption encouraging companies to follow IFRS. Government policy has important role in triggering the adoption of IFRS instead of using unified accounting system in China (Xiao, 2004).

The explanatory linkages between accounting policy choices and firm size have been demonstrated in the sizeable literature (Ball & Foster, 1982). Raffournier et al. (2010) in a study conducted at Romania, it was discovered that the larger the size of a company, the higher the possibilities of IFRS adoption. Patel (2011) conducted a study in Germany the evidence showed that size of firms plays a significant role in the adoption of IFRS. Russell et al. (2008), also shows that company size has a direct bearing towards the adoption of IFRS, and submitted that company size positively affects the adoption of IFRS. Dumontier and Raffournier (1998) conducted a study on Swiss data. They showed a positive influenced of company size on voluntary compliance with International Accounting Standards (IAS). Therefore they revealed that firms which complied with IAS are larger and more internationally diversified. Chow and Wong-Boren (1987), Cooke (1989, 1991), and Meek, Roberts, and Gray (1995) recognized that compliance with IFRS is positively related to company size and the company's listing status. A statistically significant relationship was also found between companies with larger turnover (medium sized companies as opposed to small companies) and the degree of readiness for the application of IFRS (Floropoulos & Moschidis, 2004; Aljifri et al., 2006). It is apparent that companies listed on the stock exchange were most prepared for the application of IFRS. Similarly, medium-sized companies were more prepared than small ones. Prior studies showed that company attributes such as internationality, firm size and capital need are associated with the adoption of international standards (Murphy, 1999; Ashbaugh, 2001; Bradshaw & Miller, 2004; Tarca, 2004; Hung & Subramanyam, 2007). In contrast, Ahmad and Nicholls (1994), Street and Gray (2002), Glaum and Street (2003), and Ustundag et al. (2009), found no significant relationship between company size and the adoption of IFRS. Ustundag et al. (2009) found that small and medium size of company's does not affect the adoption of IFRS. Ahmad and Nicholls (1994), Street and Gray (2002), and Glaum and Street (2003) findings are in contrast with the findings of (Aljifri et al., 2006; Raffournier et al., 2010; Patel, 2010) as seen above.

In Australian, several commentators of the Institute of Company Directors (AICD, 2004) argued prior to the adoption of IFRS that, smaller firms would be disadvantaged. They stated that smaller companies are at a greater disadvantage in moving to IFRS than larger companies primarily due to resources constraints. In contrast, Andrew (2005) found that, small firms would be surprised to see no significant effect on their financial position due to the adoption of IFRS. Similarly, Goodwin and Ahmed (2006), used data from 135 listed firms, the study revealed more than half of small listed firms on the Australian Stock Exchange have no change in net income or equity as a result of IFRS adoption, and that there is an increase in the number of adjustments to net income and equity with firm size. Their study also found that IFRS has increased net income for small- and medium-sized firms. Equity has increased (decreased) under IFRS for small (large) firms. Small firms experience higher surplus (loss) variability than medium-sized or large firms under IFRS. Arbeitskreis (2003) revealed that, IFRS are directed primarily at the consolidated financial statements of listed companies. They are often too sophisticated for small and medium-sized companies and the potential benefits arising from higher quality reporting might not outweigh the costs involved due to the considerable complexity of the standards and the high expertise which is necessary to correctly apply and interpret IASB standards.

Furthermore, differences in educational level positively affect the adoption of IFRS in developing countries (Nobes, 2000). Wong (2004), in a study conducted in Turkey, found that education and training are considered as major challenges militating against the adoption of IFRS. Also in a similar study by Street (2002), it was discovered that low level of education of experts on IFRS practice and principles might be very difficult for the adoption of IFRS in such a country. In contrast to Street (2002), Judge et al. (2010), revealed that level of education achieved within a national economy are all predictive of the degree to which IFRS standards are adopted across 132 developing, transitional and developed economies. Dholakia (2012) showed that there is a significant level of differences between the different education level and the perception or opinion of people in the context of IFRS. One of the original institutional theorists argued that educational attainment was fundamental to the development of all professions (Turner, 1983). As such, the educational attainment of a nation may be predictive of normative pressures brought about through professionalization. Supporting this notion that links educational level with adoption of international standards, Guler, Guillen, and Machpherson (2002) found that the degree of professional technical knowledge emanating from a nation was predictive of adoption of international quality standards due to professional norms. Also, Dow and Karunaratn (2006) reported that the higher levels of education within a nation, the higher the trade flows that national economy experienced as a result of the adoption of international standards. Hassan (2008) documented how normative pressures arising from generally rising educational level in general and from the international accounting professions influence in particular, stimulated Egypt to move away from domestic standards and move toward international accounting standards. In addition, Perera (1989) revealed that, if the level of a country's educational level and experience is low, then accountants in that country cannot be expected to exercise mature judgments, particularly on issues related to complex accounting standards. Governments of such countries need to introduce initiatives that establish acceptable levels of education and training to help improve the overall usefulness of accounting information.

On the other hand, Besalet (2000) conducted a study in the Middle East; the empirical findings revealed that, some developing countries within developing economies and oil rich countries with open capital market need to adopt IFRS.

Taylor and Chua (2008) also revealed that, a well developed capital market positively encourages the adoption of IFRS. Another study conducted in South Africa by Kinsey (2006), found that capital market affect the firms to reduce the barrier arising from capital market as well as adoption of IFRS. In a related study conducted in Portuguese, Cray (2008) found that international capital market especially those with large revenue need to adopt IFRS. Al - Basteki (2006) also found that cooperation among gulf council will open up rapid growth in capital market and they could put pressure on government which will lead to the adoption of IFRS. Weißenberger, Stahl, and Vorstius (2004) survey the motive that led certain German companies to opt for US GAAP or IFRS rather than German GAAP. The authors sent a questionnaire to a sample of 359 companies (DAX100 and Neuer Market) and received 81 responses. Their results indicate that the change to IFRS or US GAAP was motivated by the expectation of gaining standing in the capital markets, achievement of improved supply of information, and the internationalization of investors. Tarca (2004) also uses signalling theory to explain why firms approach international capital markets by adopting international standards. The study revealed that adoption of international standards could signal to market participants that the firm is committed to disclosing more information to investors, to listing on foreign stock exchanges, or to absorbing international capital infusion. Hope, Jin and Kang (2006), also shows that Countries with relatively immature or closed capital markets are less likely to converge to a higher accounting standard, because those countries do not provide infrastructural framework for international investors to generate reasonable returns. Their study showed that, countries with greater access of capital market for foreign investors are more likely to adopt IFRS.

Hope et al. (2006) is of the view that IFRS adoption is positively related to the accessibility of domestic capital markets.

From these studies emerges the evidence that not all the companies could really be interested in the IFRS because of the mixed results and, depending on their size and their specific finance and operating peculiarities. Upon all, most of these studies are either carried out in the Europe, the US, Australia or the Asian axis, very few studies to our knowledge was conducted in the African continent, let alone Nigeria. As such this study is aimed at bridging the gap between Nigeria and other developing countries where most of the factors that may promote the adoption of IFRS were not tested. This study will be applying in a different region entirely to critically examined the factors that would actually promote the adoption of IFRS with special emphasis on the Nigerian listed companies.

2.5 Theoretical framework in relation to IFRS adoption

Several theories have been used in relation to studies conducted via international financial reporting standards by scholars. These include signalling theory, agency theory, legitimacy theory, stakeholders' theory, proprietary cost theory and institutional theory. However, for the purpose of this study institutional theory would be adequately utilised.

2.5.1 Institutional Theory

Accounting in an institutional context thus indicates that "institutionalization can be viewed as a social process through which individuals or actors of organization accept that national accounting standards are usurped in the interests of international accounting harmonization" (Rodrigues & Craig, 2007). This acceptance explains why countries have a tendency to use the same accounting standards used by other countries. This tendency continues regardless it might not necessarily lead to economic benefits as promoted by the IASB and regardless it takes place in countries whose institutional environments are different because countries tend to ceremonially or actually conform to dominant norms and social influences for legitimacy (DiMaggio & Powell, 1983). In this perspective, institutional theory of isomorphism and legitimacy are appropriate to be used to study the factors that may promote the adoption of IFRS.

2.5.1.1 Isomorphism and Legitimacy

DiMaggio & Powell's institutional isomorphism was derived from their observation that "despite the fact that organizations could develop new goals and practices, in the long run, organizational actors are busy making rational decision construct around themselves and the environment that constrains their ability to further improve performance. This is because adoption provides legitimacy rather than improves performance (DiMaggio & Powell, 1983).

Legitimacy according to Suchman (1995) described a generalized perception or assumption that the actions of an entity are desirable, proper or appropriate within some socially constructed system of norms, values, beliefs, and definitions. Isomorphism and legitimacy have been used by various scholars to globally examining transfer pricing, international alliances, distributive justice norms, strategic renewal of incumbent firms, penetration of e-commerce, foreign entry mode and the adoption of IFRS (Eden, Dacin & Wan, 2001; Giacobbemiller, Miller, Zhang & Victorov, 2003; Flier, Van den Bosch & Volberda, 2003; Gibbs & Kraemer, 2004; Meyer & Nguyen, 2001). Their research have focused on the response of organization to pressures from their institutional environments through adopting some practice (Hassan, 2010), even if the benefits of these practices are uncertain.

The frameworks used in the previous studies could be traced back to "Institutional Isomorphism (DiMaggio & Powell, 1983). The same framework will be used with little modification in our study. DiMaggio and Powell (1983) recognized that organizations look for legitimacy and social acceptance from other organizations because organizations compete not just for resources and customers, but for political power and institutional legitimacy, for social as well as economic fitness. They therefore claimed that, the concept of institutional isomorphism is a useful tool for understanding the politics and ceremony that pervade much modern organizational life. The interaction among organizations that cause isomorphic changes is divided into three forms: (1) coercive isomorphism that stems from political influence and the problem of legitimacy; (2) mimetic isomorphism resulting from standard responses to uncertainty; and (3) normative isomorphism, associated with professionalization (DiMaggio & Powell, 1983). Although these three forms are not always exclusively distinct in empirical setting, they tend to derive from different conditions and may lead to different outcomes (DiMaggio & Powell, 1983). A case worth noting is the use of coercive isomorphism in the development of Accounting in Egypt. During the developing stages of the Egyptian international accounting, "the government passed several administrative laws to set financial disclosures under statutory control. Accounting and auditing became a major tool for planning and monitoring the state economic activities. The government laws adjusted all major systems, including accounting, to correspond to the state central planning philosophy" (Hassan, 2008). However, the explanations given above are internal and hence within the country. Coercive Isomorphism can also be examined from an external perspective. There are two recent studies on accounting harmonization using DiMaggio & Powell`s institutional isomorphism framework. Rodrigues & Craig (2007) theoretically explored the processes, effects and likely future progress of the convergence of national accounting standards with IFRS and built a conversation of pros and cons of the convergence by mainly drawing on the ideas of institutional isomorphism (Rodrigues & Craig, 2007). In addition, Judge, Li, and Pinsker (2010) empirically predicted the determinants of national adoption of IFRS using variables that were derived from institutional isomorphism. They used foreign aid, import penetration, and level of education as representatives of coercive, mimetic, and normative isomorphism. They found that all independent variables are significantly related to the adoption of IFRS. This implies that the process of adoption is highly motivated by social pressures.

Figure 2.2 Linkage between Theoretical framework and the factors promoting the Adoption of IFRS

Isomorphism Type	**Linkage**
Coercive	Government policy
Mimetic	Company size
Normative	Educational level & Capital market

This study utilised the isomorphism theory because, the variables can be linked to the isomorphism type opined by (DiMaggio & Powell, 1983). As shown in Figure 2.2, government policy is linked to the coercive isomorphism because, policies are normally set by government to either regulate or guide the affairs of either individuals, companies or a country in general. At times government resort to using stringent or coercive measures in order to ensure compliance, as such organisations would always found it difficult to adopt a particular policy unless is being coerced to do so.

On the other hand, companies always try to imitate what other companies are producing irrespective of their size. They do that without considering the economic benefit derived from such act, it is actually a natural phenomenon by companies to strive for survival to the detriment of their size as a result of what (DiMaggio & Powell, 1983) termed as mimetic isomorphism. This fundamental reason called for the linkages between the mimetic type of isomorphism and company size. Finally educational level and capital market are linked to the normative type of isomorphism due to the fact that, most of the developed countries conformed to certain norm and standard that is generated internally, while developing countries on their part tried to conformed to international norms, in terms of education and the nature of capital market obtainable in developed countries. This singular act linked the aforementioned variables to the normative type of isomorphism.

In this study however, the factors promoting the adoption of IFRS in developing countries are linked to the theoretical framework for the study. DiMaggio and Powell (1983) developed the theory of Isomorphism which describes how institutions mimic certain practices and standards from other institutions of similar functions. Above is the linkage between the theory adopted for the study and the various factors to be discussed.

CHAPTER THREE

METHODOLOGY

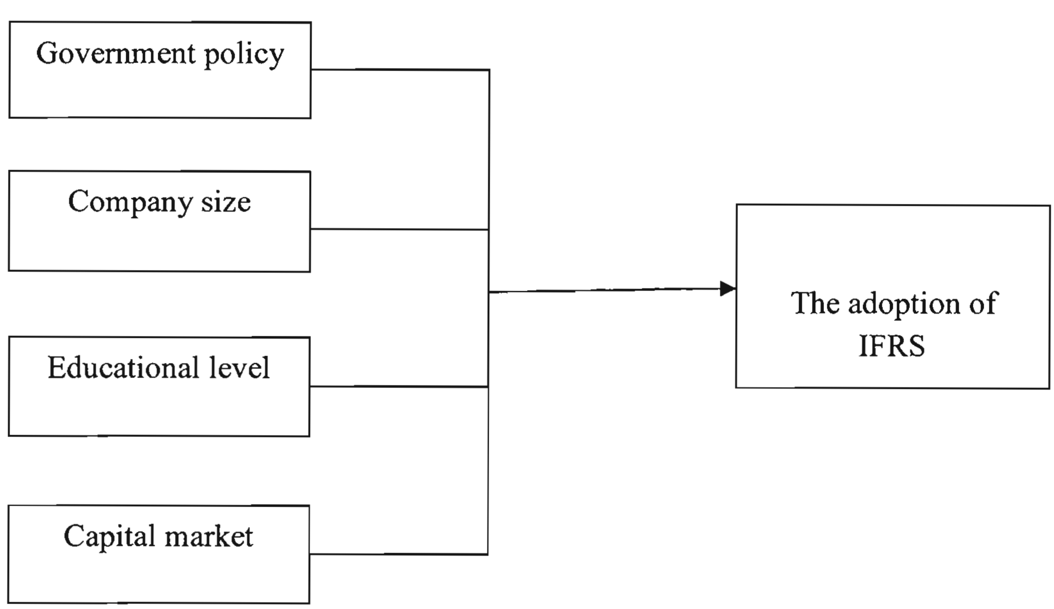
3.1 Introduction

The procedures adopted for realising the objectives of the study are discussed in this chapter. These include stating the research design for the study; the measuring of the various variables of the study; and explaining the procedures for collecting the data as well as the instrument for the data collection, finally, the techniques used in analysing the data.

3.2 Proposed model of the study

The proposed model is also underpinned by the Institutional Theory DiMaggio and Powell (1983) as shown in Figure 3.1 below:

Figure 3.1: Proposed model of the study



3.3 Hypotheses development

A hypothesis is one of the components of a research, and is defined as "an unproven proposition or supposition that tentatively explains certain facts or phenomena; a proposition that is empirically testable" (Zikmund, 2003). Actually, the main goal of building the research hypotheses is to help researchers to find and explain the relationship between existing factors that are proposed in the research model (Sekaran, 2003). In this study, hypotheses are intended to examine the relationship among the factors promoting the adoption of IFRS in Nigeria.

Institutional pressures can be divided into three isomorphic changes: coercive, mimetic, and normative isomorphism as opined by (DiMaggio & Powell, 1983), each hatches its own hypothesis. Coercive isomorphism suggested that, there are pressures that can induce a company or country to adopt IFRS. Mimetic isomorphism implied that, the more globalized the economy of a country, the more likely that, that country became isomorphic to others that adopt IFRS. Normative isomorphism revealed that, level of education and training influence a company's or country's decision to adopt IFRS. Thus, our hypotheses comprise:

H1. Countries with sound government policy will be more inclined to adopt IFRS.

H2. The bigger the company size, the more likely a company may adopt IFRS.

H3. The probability that a company will adopt IFRS is positively tied to the educational level of its work force.

H4. A well functional capital market may likely influence the adoption of IFRS.

3.4 Research Design

The quantitative research approach was used because of the nature of the study. Creswell (2009) suggested that, the quantitative research approach is appropriate for complex studies with many variables and treatments. The survey instrument used to collect the data of this study was a questionnaire. The survey instrument was subjected to a reliability and validity test. The questionnaire was designed with structured questions, which were assigned weight. Demographic questions were also included to obtained information on the study's samples. The questionnaires were distributed to the sample companies in the country. The target population of this study was the chief accountants of the listed companies in Nigeria. This was carefully selected because they possessed the technical expertise with regard to accounting issues, and are always at the right position to seek for relevant information in relation to the subject matter. The sample was selected from the target population by random sampling technique. Under the technique, the samples were selected with special emphasis on the geographical areas of which the headquarters of the companies are located.

3.5 Measurement of Variable

The study was designed to apply quantitative approach with data collected through the sampling survey method using a questionnaire. As a result, the level of scale measurement that was used for most variables was interval level. The interval scale was the most appropriate for the study of this nature. According to Hair et al. (2007), variables measured at the interval level are referred to either as quantitative or metric study. In this study, variables were measured using a five - point Likert scale of strongly disagree, disagree, neutral, agree and strongly agree with score from 1 to 5 respectively.

3.5.1 Government Policy

Government policy was measured with five item statements which the management of the listed companies were asked to indicate their perception on how government policy can promote the proper adoption of IFRS in the country. In this case, the highest score is 5 while the lowest score is 1.

3.5.2 Company Size

Company size was measured with five item statements and rated using a five - point Likert scale. Respondents were asked to indicate their perception; a high score suggests a high perception on the company size, while a low score is an indication of low perception about the company size as one of the factors that promote the adoption of IFRS.

3.5.3 Educational Level

This variable was measured using five items in which respondents were asked to state the extent of their agreement with statements on educational issues of their workforce. The items were also rated using a five - point Likert scale. Where respondents have a high score, they were regarded as having high educational level while a low score means that, the educational level is very low.

3.5.4 Capital Market

Capital market has five items and each of these items was measured using a five - point Likert scale. Five item statements were used to evaluate the perception of the respondents concerning the factors that may promote the adoption of IFRS. Where the respondents received high score, they were considered to have perceived that capital market has a role to play in promoting the adoption of IFRS while a low score indicate the perceived role played is very low.

3.5.5 Adoption of IFRS

Consistent with Hope et al. (2006) as well as Nino (2007), the source for our dependent variable comes from a Deloitte (2008) report summarizing the current status of IFRS adoption in a wide variety of countries and regions. This variable being the dependent construct, the items were also rated using a 5 point likert scale. The same method has been used in other previous study on IFRS adoption on Iraqi listed companies (Sharif, 2010).

3.6 Data Collection

In designing this study, consideration was given to the issues of data constraints. The primary data were collected through a sampling survey of the Nigerian listed companies. The data were collected with the use of a questionnaire.

3.6.1 Sampling

The focus of this study was on the perception of management on the factors that could promote the adoption of IFRS as evidence in Nigeria. For this purpose, the study was interested in the listed companies as a result of the proposed roadmap for the adoption of IFRS in the country. These companies were the target population of this study.

3.6.2 Sample size

Many scholars have stressed the importance of sample size in research design and to the overall results of a study (Bartlett, Kotrilik & Higgins, 2001; Sekaran & Bougie, 2010). To determine the sample size, the statistical data of the population of the listed companies in the country were obtained from the Nigerian stock exchange. The total population of the listed company's active in the floor of the Nigerian stock exchange was 202 as at 16th March, 2012. The sample size for this population was determined using Krejcie & Morgan's (1970) rule of thumb. With reference to the prepared table of sample size by Krejcie & Morgan (1970), the sample size was 132.

3.6.2.1 Sample Selection

For the selection of the samples, the appropriate sampling frame should be the list of the companies in the Nigerian stock exchange. This is because they are the only company that can easily comply with the provision of the government and other regulations. As a result, the researcher used the list of the companies that are quoted in the Nigerian stock exchange as the sampling frame for this study. The use of this sample frame agreed with the suggestion of Sharif (2010). From the sampling frame, a total of 132 companies were randomly drawn and the chief accountants were selected from the companies as the samples of this study.

3.6.3 Data Collection Procedure

The data for this survey were collected using a questionnaire and a well - planned procedure was followed to obtain the data from the respondents. The procedure involved the design of the questionnaire, which contains Likert - type of scale and then subjecting the items in the questionnaire to validity and reliability tests and, finally the administration and retrieval of the questionnaire using the selected samples in the country.

3.6.3.1 Questionnaire Design

The questionnaire was designed with adequate questions to cover all the variables of the study. Most of the questions were closed questions with multi statements designed on a five - point Likert scale. In writing the questionnaire, consideration was given to the educational level of the respondents in the choice of words. The questionnaire was divided into a five part structure with each part containing questions covering the variables. The demographic data was presented in the first part of the questionnaire to obtain information on the demographic background of the respondents. The second section was on the four independent variables. While section three contained questions relating to the adoption of IFRS, which is the dependent variable of the study. This questionnaire was adopted from the work of (Sharif, 2010; Rasheed & Hussien, 2002).

Table 3.1 Structure of Questionnaire

Section	Construct	Variables	Types of Question	Number of Items
A	Demographic	Gender, qualifications, work experience	Categorical	
B	Government policy	Independent	Likert scale	Five
B	Company size	Independent	Likert scale	Five
B	Educational Level	Independent	Likert scale	Five
B	Capital Market	Independent	Likert scale	Five
C	IFRS Adoption	Dependent	Likert scale	Five

The survey questionnaire had a cover letter, which explained the purpose of the study and in order to encourage a candid response to the study, the letter also explained that the anonymity of the respondents would be maintained. Therefore, to assure the respondents of their anonymity, no name was requested to be given on the questionnaire.

3.6.3.1 Data Collection

The data of the study were collected through personal distribution and retrieval of the questionnaire from the respondents. The same method has been used in other previous studies on IFRS adoption in both developed and developing countries

(Navarro - Garcia & Francisco, 2010; Guerreiro et al., 2012). This method of questionnaire distribution was adopted in this study for a number of reasons. Firstly, the only available option was personal contact through the respective company. Second, the absence of an efficient and adequate infrastructure, such as access to the internet and postal services in Nigeria, made self - administration of questionnaire the viable option in Nigeria. The study of Ilobube, Ubogu and Egbezor (2007) acknowledged poor access to the internet and other telecommunications, as well as poor postal services, as a challenge in Nigeria. For this reason, the study of Adomi et al. (2007) indicated that a substantial (72%) number of respondents were served research instruments through personal contact in Nigeria while only few were served through the postal system (17%) and internet facilities (11%). In addition, the method was chosen to improve the response rate and assure the respondents of their anonymity, because Cavana et al. (2001) and Hair et al. (2007) submitted that the method ensures a high response rate and the anonymity of respondents. The actual distribution of questionnaires to the respondents commenced on the 14th May, 2012. A total of 132 questionnaires were distributed and each questionnaire was accompanied with a covering letter stating the purpose of the study and that the respondents' anonymity would be maintained. As at 2nd July, 2012, a total of 118 questionnaires were retrieved from the respondents.

3.7 Data Analysis Techniques

The statistical techniques used in this study for analysing the data include:, reliability analysis, descriptive statistics, correlation analysis and multiple regression analysis.

3.7.1 Descriptive Statistics

The descriptive statistics was used in this study to reduce the data to a manageable size and to provide insights into the perception of the respondents. The descriptive statistics techniques used in this study include mean and standard deviations. There is evidence in the literature that similar techniques were used in some studies on IFRS adoption (Sharif, 2010; Guerreiro et al., 2012).The mean score and standard deviation were computed for individual items as well weighted items of all variables in respect of 109 valid cases of the study. The same method was used in the study of (Sharif, 2010; Guerreiro et al., 2012).

3.7.2 Goodness of measure

Based on the advice offered in Cavana et al. (2001), and Sekaran and Bougie (2010), of the need for researchers to assess the goodness of their research instruments for accuracy in the result and the overall enhancement of the scientific quality of research, the instruments used in this study were subjected to reliability and validity tests as was done in other previous studies on IFRS (Sharif, 2010; Guerreiro et al., 2012).

3.7.2.1 Reliability Analysis

There are several methods for testing the reliability of measures but in this study the reliability of the measures was established by testing the internal consistency of the measurement items. This was done using Cronbach's alpha since Cronbach's alpha was considered to be widely used and recommended for social science research (Gliem & Gliem, 2003; Hair et al., 2010; Sekaran & Bougie, 2010) and furthermore, there are evidence in the International Financial Reporting Standards (IFRS) literature that Cronbach's alpha was commonly used in testing the internal consistency of items (Sharif, 2010; Guerreiro et al., 2012). The reliability of the measures of the study was based on the result of the final test. Generally, a Cronbach's alpha coefficient of at least 0.70 is considered sufficient and acceptable (Hair et al., 2010; Nunnally, 1978).

However, George and Malley (2003) provided a rule of thumb for rating Cronbach's alpha coefficient as follows: > 0.90 (excellent); > 0.80 (good) > 0.7 (acceptable); > 0.6 (questionable); > 0.5 (poor) and < 0.5 (unacceptable). The interpretation of the result of reliability test in this study was guided by this rule of thumb.

3.7.3 Correlation Analysis

In this study, correlation was used for two reasons. First, it was used to establish the strength of the relationship between the variables of the study and, second, as suggested in Meyer et al. (2006), and Hair et al. (2010), it was used to detect the presence of multicollinearity among the variables. For the purpose of the analysis, Pearson product - moment coefficient was used because it can establish correlation between continuous variables and categorical variables (Coakes & Ong, 2011). The strength of the relationship between variables of this study was established at a statistically significant level of ($p < .01$) and the strength of the relationship was interpreted with the rule of thumb provided in Meyer et al. (2006) respectively.

3.7.4 Regression Analysis.

The multiple regression depends on a number of assumptions and the violation of one or more of these assumptions may cause statistical results to be biased or distorted (Meyer et al., 2006; Osborne & Waters, 2002).

Coakes and Ong (2011), and Pallant (2007) identified the fundamental assumptions of multiple regressions to include sample size, normality, linearity, homoscedasticity and multicollinearity. In this study, before the regression analysis was carried out, the assumptions of multiple regressions were properly assessed and were fairly complied with.

3.8 Summary

This chapter presented the methods and procedures applied towards realizing the objectives of the study. The proposed model of the study, which was derived from the theory of Isomorphism, comprised four independent variables, and one dependent variable. On the basis of the proposed model, four hypotheses were developed to achieve the objectives of the study. The various hypothesised variables were operationally defined and the variables were measured using a five point Likert scale. Survey technique was adopted in data collection and for this purpose. To collect the data, a three section questionnaire was designed and administered to the respondents. The data collected were analysed statistically using descriptive statistics, correlation analysis, reliability analysis and multiple regression analysis. The results of the various statistical analyses carried out on the data are provided in the next chapter.

CHAPTER FOUR

DATA ANALYSIS AND RESEARCH FINDINGS

4.1 Introduction

In this chapter, the statistical techniques discussed in chapter three were employed in analysing the primary data of this study. The techniques were used to test the hypotheses developed in chapter three to represent the relationship between the dependent variable and independent variables, as depicted by the conceptual model and in accordance with the research objectives. The results of the statistical tests provided answers to the research questions raised in chapter one. The findings of this study were based on the output of regression tests carry out on the data, as recommended in Hair et al. (2010) and was done in a study by Sharif (2010). However, before the regression analysis, reliability and validity of the data were also tested. The research findings are reported in this chapter. The chapter also reports the response rate and descriptive statistics on the variables.

4.2 Data Inspection and Transformation

The data collected were properly screened and in certain cases, transformation became necessary. The screening and transformation were done in accordance with the procedures suggested in Hair et al. (2010).

4.3 Missing Data

Hair et al. (2010) recommended that missing data less than 10% of the respondents (cases) might be replaced through any imputation method. With regard to this study, 9 respondents failed to complete all the items in the questionnaire form. Based on these respondents, 6 did not complete two items each while the remaining 3 respondents failed to complete three items each in their respective questionnaire forms. The total of these 9 respondents represented 7.6 % of the total number of respondents of the study.

Table 4.1 Summary of Missing Data

Variable	Number of Missing Items	Number of Respondents	Percentage of Sample Size
Government Policy	2	4	0.034
Company Size	2	2	0.017
Capital Market	3	1	0.008
Educational Level	3	2	0.017
Total	**10**	**9**	**0.076**

4.4 Data Transformation

Hair et al. (2010) and Meyer et al. (2006) are of the view that, variables that violated the statistical assumption might be modified. Data transformation is the mathematical procedure for modifying variables. In this study, all the variables met the assumption of multicolliniarity and other assumptions.

4.5 Response Rate

A total of 132 questionnaires were distributed to the respondents, however, of this number, only 118 questionnaires were retrieved from the respondents. This represents approximately 89% response rate. However, 9 out of the 118 questionnaires were badly completed, and, therefore, discarded as unusable questionnaires leaving 109 as usable. This represents 83% of total questionnaires administered. Table 4.2 shows the distribution of the questionnaires, the table shows that 100% of the 132 questionnaires were administered to the chief accountants of the listed companies in the country. However, of the 132 questionnaires administered, only 89% were returned with 6% badly completed leaving 83% usable.

Table 4.2 Distribution of questionnaires

Questionnaire	Frequency	Percentage
Administered	132	100
Retrieved	118	89
Badly Completed	9	6
Usable	109	83

Based on the rating of the response rate in the literature, which suggested that a response rate of at least 50% is adequate for analysis and reporting, and that a response rate of 60% is good and a response rate of 70% is very good (Babbie, 2007; Grove, 2006), it can be concluded that a response rate of 83% for the questionnaire forms administered in this study was adequate for analysis and reporting.

4.6 Demographic Characteristics of the Respondents

Table 4.3 Demographic information of the respondents

Category	**Frequency (N = 109)**	**Percentage (Total = 100)**
Gender		
Male	77	71
Female	32	29
Education		
Diploma	0	0
Higher National Diploma (HND)	4	4
Bachelor	23	21
Masters	79	72
PhD	3	3
Work Experience		
Less than 5yrs	8	7
6 - 10 yrs	84	77
11 - 20 yrs	12	11
21 - 35 yrs	5	5

The data collected on the background of the respondents, as presented in Table 4.3 indicated that about 71% of the respondents were male leaving 29% as female. In respect of the education qualification of the respondents, 4% had Higher National Diploma (HND), and 21%, 72% and 3% had Bachelor, Masters and PhD degrees respectively. On the work experience, 7% of the respondents fell between less than 5years of experience and 77% were between 6 - 10 years of work experience. Those respondents who where between 11 - 20 years of work experience represent 11% of the total respondents while the remaining 5% of the respondents had 21 - 35 years of work experience. The work experience distribution of the respondents reflected that respondents with 6 - 10 years work experience are more actively involved in the economic activities of the listed companies.

4.7 Descriptive Analysis

According to Coakes and Steed (2007), descriptive statistics are used to describe, examine and summarise the main features of a collected data quantitatively. Therefore, descriptive statistics are describing what the data shows. Basically, this is the method used to organise, display, describe and explain a set of data with the use of tables, graph and summary measures (Johnson & Christense, 2000). Respondents were asked to indicate their perceptions towards the statement in the questionnaires, using the five point Likert - Scale answers. The scale were arranged between 1 = strongly disagree; to 5 = strongly disagree. Based on their score for each statement, researched had found the average score (mean) for each variables. This value was then categorized to the following categories to indicate their level of prepositions towards all variables: (1.00 to 2.25) low, (2.26 to 3.75) moderate, 3.76 to 5.00) high. It was found in Table 4.4 that almost all the variables have a high mean value ranges from 4.2826 to 4.7725 with standards deviation of .28718, .10352, .34440, .24216, .27381 for government policy, company size, educational level, capital market, and IFRS adoption respectively.

Table 4.4 Descriptive Statistics

Descriptive Statistics

Variables	N	Minimum	Maximum	Mean	Std. Deviation
GP	109	3.80	5.00	4.5780	.28718
CS	109	4.20	5.00	4.7725	.10352
ED	109	3.60	5.00	4.3835	.34440
CM	109	3.60	5.00	4.7633	.24216
IFRS	109	3.40	4.80	4.2826	.27381
Valid N (listwise)	109				

Note: GP = Government Policy, CS = Company Size, ED = Educational Level, CM = Capital market, IFRS = Adoption of IFRS, and N = Number of valid questionnaire.

Result of the test to determine the factors promoting the adoption of IFRS via management perception. Company size score the highest making it the factor that most promote IFRS adoption (mean = 4.7725, sd = .10352). This is followed by Capital market (mean = 4.7633, sd = .24216), Government policy (mean = 4.5780, sd = .28718). Meanwhile, the factor that promote IFRS adoption as perceived by management with the lowest is educational level (mean = 4.3835, sd =.3444).

4.8 Factor analysis

The main applications of factor analysis techniques are: (1) to reduce the number of variables; and (2) to detect structure in the relationship between variables. Therefore, this approach can be applied as a method of data reduction or structure detection (Hair et al., 1998). Factor analysis is used to assess the suitability of measurement scale for each variable. Critical assumption which underlines factor analysis is first verified, and then evaluated anti - image correlation matrix, measure adequate sampling with Kaiser - Meyer - Oklin (KMO) measurement, and Barlett's test evaluates Sphericity. According to Hair et al. (1998) factor loadings greater than .30 is considered significant. The following are the KMO statistics for the number of variables.

Table 4.5 Factor analysis result.

Variables	KMO	P - Value	Decision
Government Policy	0.673	0	Valid
Company Size	0.511	0	Valid
Educational Level	0.548	0	Valid
Capital Market	0.689	0	Valid
IFRS Adoption	0.842	0	Valid

From Table 4.5 the KMO that is measurement of the sampling adequacy ranges from 0.511 to 0.842 with a significance level of 0.000. These figures are above 0.3 and 0.000 significance smaller than 0.005, so the variables are valid and can be analysed further.

4.9 Reliability Analysis

Reliability analysis is an indication of the stability and consistency with which the instrument measures the concepts and helps to assess the goodness of measures. Generally, a Cronbach's alpha coefficient of at least 0.70 is considered sufficient and acceptable (Hair et al., 2010; Nunnally, 1978). However, George and Malley (2003) provided a rule of thumb for rating Cronbach's alpha coefficient as follows: > 0.90 (excellent); > 0.80 (good) > 0.7 (acceptable); > 0.6 (questionable); > 0.5 (poor) and < 0.5 (unacceptable). The interpretation of the result of reliability test in this study was guided by this rule of thumb. To assess whether each of the variable formed a reliable scale, Cronbach's alpha was computed for each of the five variable. The alpha for the five items of each of the variable was 0.711, .701, .822, .763, and .899 for government policy, company size, educational level, capital market, and IFRS adoption respectively, which indicated that the items form a scale that has reasonable internal consistency.

Table 4.6 Reliability test result

Variable	**Cronbach's Alpha**	**N of Items**
Government Policy	**.711**	**5**
Company Size	**.701**	**5**
Educational Level	**.822**	**5**
Capital Market	**.763**	**5**
IFRS Adoption	**.899**	**5**

From Table 4.6, it can be seen that the Cronbach’s Alpha value of each of the variable is above 0.7. The analysis found that internal consistencies between all the items in each of the variable are reliable. In a nutshell, Cronbach's Alpha value is above acceptable value of 0.7 indicating that the constructs seem to have reliability.

4.10 Correlation Analysis

Correlation inferential statistical measurement between the independent variables and the dependent variable were one of the methods considered in this study. The correlation in any study is used to measure the relationship between two or more variables.

Table 4.7 Correlation between independent variables & dependent variable.

Pearson Correlation	GP	CS	ED	CM	AD
GP	1				
CS	-.063	1			
ED	.405**	-.078	1		
CM	.140	.002	.156	1	
AD	.789**	.006	.508**	.269**	1

** Correlation is significant at the 0.01 level (2-tailed). Note: GP = Government policy CS = Company size, ED = Educational level, CM = Capital market, AD = IFRS adoption

The outcome of intercorrelation between the variables, as shown in Table 4.7 indicated that, the strength of correlation between most of the variables is slightly weak and, subsequently produced a small effect. Actually, of all the variables, IFRS adoption is significantly correlated with government policy at ($r = 0.789$, $p < 0.01$) , it is significantly correlated with educational level at ($r = 0.508$, $p < 0.01$). Furthermore, IFRS adoption is also moderately correlated with capital market at ($r = 0.269$, $p < 0.01$) and weakly correlated with company size at ($r = 0.006$) respectively. Specifically, the dependent variable (IFRS adoption) was strongly correlated with almost all the variables except company size ($r = 0.006$). In particular, IFRS adoption had a significant positive correlation with government policy ($r = 0.789$, $p = 0.05$), educational level ($r = 0.508$, $p < 0.01$) and capital market ($r = 0.269$, $p < 0.01$).

In terms of independent variables, government policy showed a weak negative correlation with company size at ($r = - 0.063$), and moderately correlated with educational level at ($r = 0.405$, $p < 0.01$), while a very weak correlation was shown with capital market at ($r = 0.140$). Company size was negatively correlated with educational level at ($r = - 0.078$) and lower strength of association was shown with capital market at ($r = 0.002$). The result also indicated that, capital market is weakly correlated with educational level at ($r = 0.156$). The strongest correlation among the variables was between government policy and educational level ($r = 0.405$, $p < 0.01$). In total, the result of the correlation analysis revealed that, there was a slightly fair magnitude of linear relationship among the variables of the study.

4.11 Multiple Regressions

The relationship between adoption of IFRS and the factors that promote its adoption with reference to stakeholders' perception in Nigeria were analysed using the statistical technique.

4.11.1 Assumptions of Multiple Regressions

As identified in Coakes and Ong (2011), the proper application of the multiple regression technique in analysing the data of the study is followed, because Meyer et al. (2006) stated that, the violation of one or more of these assumptions may caused statistical results to be biased.

4.11.1.1 Sample size

Bartlett et al. (2001) and Pallant (2007) stated that, the result on a considerable small sample might lack generalisation. Miles and Shevlin (2001), and Tabachnick and Fidell (2007) proposed a formula for calculating sample size for multiple regression as follows: $N > 50 + 8M$, where M is the number of the independent variables. Nevertheless, Bartlett et al. (2001), and Hair et al. (2010), their work stated the rule of thumb as the minimum ratio of 5 cases to one independent variable that is 5: 1, while the most desirable level is between 15 to 20 cases per independent variable. Based on this study, and the number of usable questionnaires, refer to Table 4.2, of 109 and 4 variables, the sample size ratio in this study was 4:1 which was about four times the minimum ratio and within the desirable ratio recommended in Bartlett et al. (2001), and Hair et al. (2010).

4.11.1.2 Normality

Pallant (2007) stated that, the normality of data is assumed when the residuals are distributed about the dependent variable scores. As such normality can be assessed either by statistical or graphical methods. Meyer et al. (2006) stated that, skewness and kurtosis measures are used under the statistical method to checked normality. Skewness and Kurtosis not exceeding $\pm$ 1, as recommended by (Meyer et al., 2006). Furthermore, the commonly used critical values are $\pm$ 1.96 for .05 and .01 significant level respectively as stated in (Hair et al., 2010). On the graphical method, the most reliable way to assessed normality is the probability plot as stated in Hair et al., 2010; Meyer et al., 2006). Therefore under this method, normality is said to be assumed if the data distribution followed the diagonal line (Hair et al., 2010). In this study, the statistical method was used to assess the normality of the data used for the study as recommended in (Meyer et al., 2006). The normality of each variable is showed in Table 4.8

Table 4.8 Testing for Normality

Variables		**Statistics**
GOVP	Skewness	-.519
	Kurtosis	.491
COYS	Skewness	-1.803
	Kurtosis	.795
EDUL	Skewness	-.324
	Kurtosis	-.402
CAPM	Skewness	-1.390
	Kurtosis	.639
IFRS	Skewness	-.839
	Kurtosis	.273

Note: GOVP = Government policy, COY = Company size, EDUL = Educational level, CAPM = Capital market, IFRS = Adoption of IFRS.

4.11.1.3 Linearity

Meyer et al. (2006) stated that, in multiple regressions the variables are said to be statistically related to each other in a linear manner. But, Coakes and Ong (2011) posited that, slight deviation from linearity is not serious in multiple regression analysis. Hair et al. (2010) opined that, the common method of assessing the linearity between two variables is the use of a scattered plot. However, variables that are related linearly produced oval shape, and also a downside running scatter plot (Meyer et al., 2010). On the other hand, Pearson correlation coefficients are also used to assess the degree of linear association between two variables (Hair et al., 2010). With referenced to this study, the linear relationship between the variables was assessed through a Pearson correlation coefficient as recommended in (Hair et al., 2010). The correlation coefficient (see Table 4.7) actually indicated a linear association between the variables under discussion.

4.11.1.4 Multicollinearity

According to Pallant (2007), multicollinearity existed when the relationship between some independent variables is highly correlated. Since we all know that, multicollinearity indicates the degree of relationship existing between the independent variables. As such, Hair et al. (2010) stated that, the existence of multicollinearity in analyses may likely reduced the predictive power of any single independent variable by the extent to which it is related to other independent variables. Therefore, multicollinearity can easily be detected through the correlation between independent variables. Meyer et al. (2006) suggested that, a correlation greater than .90 indicated that multicollinearity may be a problem. In this study, the assessment of whether the presence of multicollinearity was a problem was done using the Pearson correlation coefficients. The multicollinearity did not posed any problem among the variables, because the result of the correlation analysis reported in Table 4.7 indicated that, correlation coefficients between the variables were below .90.

4.11.2 Regression Model

Hair et al. (2010) stated that, the researcher in studies involving variables should be regressed accordingly. The data for this study was regressed in accordance with the aim of the study. A similar process was adopted in the studies of Sharif (2010). In this study, the regression was done to estimate the predictive power of the variables of the study, as recommended in (Hair et al., 2010). This was conducted in order to ascertain the predictive power of the variables, so that the objectives of the study can be met. However, the results of the multiple regressions obtained were used to evaluate the validity of the hypotheses. The variables were combined to form a regression model, as presented in equation 4.1 below.

$$\text{IFRS Adoption} = \beta_0 + \beta_1 \text{Government policy} + \beta_2 \text{ Company size} + \beta_3 \text{ Educational level} + \beta_4 \text{ Capital market}.$$

Where β_0 is the intercept, β_1 to β_4 be the coefficients.

4.12 Multiple Regression Results

The statistical analysis showed that, the model was statistically significant as indicated by the F ratio of 65.133 at ($P = 0.000$) in Table 4.9. The result suggested that, the model have significant ability to predict the perception of stakeholders regarding the factors that may promote the adoption of IFRS in Nigeria. The result also, showed that, the model had an adjusted R^2 of 0 .704, which indicated that, the model accounted for 70 % of the studied variables in the dependent variable (IFRS adoption). Nevertheless, the adjusted R^2 is a more conservative estimate that could only explained 70 % of the perception of stakeholders' with regard to IFRS adoption.

The variables that made significant contributions, among them were government policy, educational level and capital market. In Table 4.9, the regression result indicated that government policy significant at (P = .000), educational level at (P = .001) and capital market significant at (P = .002). As a result, the level of significant revealed that, management perceived government policy, educational level and capital market as regulatory body that possessed the requisite power to ensure companies adhered to the guidelines towards the adoption of IFRS in the country. Furthermore, the capital market is a market for short and long term fund, as such; it will be in a good position to imposed restrictions to companies in order to abide by its regulation. However, company size failed to make any significant contribution, based on the regression result, company size was insignificant at (P = .363).

Table 4.9 Results of regression test

	MODEL
Intercepts	-1.043
Government policy	0.686 (.000**)
Company size	0.127 (.363)
Educational level	0.151 (.001**)
Capital market	0.192 (.002**)
N	109
R^2	0.845
R^2 adjusted	0.704

** Significant at the 0.01 level

Four hypotheses have been developed in this study, the relationship between the independent variables and dependent variable as shown in the proposed model in chapter three, are tested in this section. The result of the multiple regressions has been used to evaluate the validity of the hypotheses, as recommended by (Hair et al., 2010). The four hypotheses are:

H1: Countries with sound government policy will be more inclined to adopt IFRS.

The regression result documented in Table 4.9 revealed that, government policy was perceived to be significant on the adoption of IFRS at (P = .000) level. This result supported the prediction in hypothesis H1 that, the perception of management about government policy is related to the adoption of IFRS by companies in the country. Furthermore, the result is in agreement with most of the studies conducted in other countries, as such management perceived government to undertake its obligation to the proper adoption of IFRS.

H2: The bigger the company size, the more likely a company may adopt IFRS.

The statistical evidence documented in Table 4.9 suggested that, company size was perceived to be insignificant to the adoption of IFRS, the relationship between company size and IFRS adoption was insignificant at (P = .363).This result revealed that, the size of the company in Nigeria had no any bearing to whether, it can adopt the standards or not, because as far as the company is registered with the Corporate Affairs Commission (CAC), it must comply to every regulations and policies mandated by various regulatory authorities which is not going well with the companies, rather it should be based on the strength in terms of either small, medium and large companies. However, this result failed to support hypothesis (H2).

H3: The probability that a company will adopt IFRS is positively tied to the educational level of its work force. From Table 4.9, the relationship between educational level and IFRS adoption was positive and significant at (P = .001) level. Therefore, the result was in support of hypothesis (H3). The result further revealed that, low professional educational level of most of the accountants in the country had a barrier to the proper adoption of IFRS, because the management perceived educational level of accountants to be a key to the adoption of IFRS.

H4: A well functional capital market may likely influence the adoption of IFRS. The last but not the least, as documented in Table 4.9, showed that capital market had a positive relationship with the adoption of IFRS, with a significant at (P = .002) level. This result was in support of the fourth hypothesis. The result suggested that, management perceived capital market as one of the regulatory body, that possessed the requisite power to ensure companies adhered to the guidelines towards the adoption of IFRS in the country. Furthermore, the capital market is a medium through which short and long term funds are acquired by companies. As such, it will be in a good position to imposed restrictions to companies in order to abide by its regulation. The regression result indicated a significant relationship between government policy, educational level and capital market as the factors that promote the adoption of IFRS in Nigeria, while company size indicated no significant contribution with the IFRS adoption. It revealed that, the independent variables had a great significance in supporting the relationship between the adoptions of IFRS. Therefore, H1, H3 and H4 are supported, while H2 is not supported.

4.13 Summary

The detailed results of various analyses conducted on the data collected in the course of this study are presented in this chapter.

CHAPTER FIVE

DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This study attempts to investigate the perception of management on the factors promoting the adoption of IFRS in Nigeria. As such the study examined the relationship between government policy, company size, educational level, capital market and the adoption of IFRS. The sample of the study has been selected from the Nigerian listed companies. In this chapter, the findings of the study are discussed and recommendations are made for possible future research.

5.2 Discussion of Results

The study primarily examined the perception of management on the factors promoting the adoption of IFRS in Nigeria. The regression result in support of the research questions are presented in chapter one in detail. In this section, the research findings are discussed to answer each of the research questions. As shown in Table 4.9, the multiple regression test performed, provided evidence concerning the relationship between government policy and the adoption of IFRS. In the first place, the statistical analysis on the data provided strong evidence indicating that management have a high perception about government policy as one of the factors promoting the adoption of IFRS in Nigeria. These findings are in accord with the study conducted in China by Xiao (2004) that showed how government policy has important role in triggering the adoption of IFRS instead of using unified accounting system in China. This result is also consistent with the study conducted by Mir and Rahaman (2005) on the adoption of international accounting standards in

Bangladesh. The empirical findings revealed that, government policy had a positive role to play in the adoption of IFRS in relation to the developing accounting and auditing standards in Bangladesh. Furthermore, the regression results shown in Table 4.9 in relation to countries with sound government policy will be more inclined to adopt IFRS (H1) established a strong positive relationship between the two variables. This study provided a significant relationship between government policy and the IFRS adoption which means that Nigeria had a sound government policy that can easily make companies to be more inclined to adopt IFRS; as such the first hypothesis is being supported. Quiet number of studies provided significant relationships between government policy and the adoption of IFRS. Joshi and Ramadhan (2002) empirically revealed that, government policy had a positive role in the adoption process of IFRS encouraging companies to stick to IFRS. In the same vein, a study conducted in Kazakhstan by Belkaouni (2004) also discovered how government decision played a significant role in the adoption of IFRS instead of Kazakhstan Accounting Standards (KAS). Evidence from this studies suggested that, government policy had played and is still playing a significant role in promoting the adoption of IFRS as perceived by the management in other countries and Nigeria in particular, and this provided the answer to part of the first research question raised in chapter one.

The result from the regression result in Table 4.9 indicated that, the size of a company may not likely influence it to adopt IFRS. The study failed to provide a significant relationship between company size and the adoption of IFRS, which revealed that the second hypothesis is not supported. There are remarkable number of empirical studies that linked how company size had significantly influenced the adoption of IFRS in developed and developing countries.

However, very few studies found similar result of this study. According to Ahmad and Nicholls (1994), Street and Gray (2002), and Glaum and Street (2003) their findings revealed that, company size irrespective of either small, medium and large does not influence the adoption of IFRS. Therefore, our findings in relation to the fact that company size was insignificant are consistent with the characteristics of Nigerian companies in relation to their size. This had a connection with the large number of our respondents which viewed the size of companies not to influence or promote the adoption of IFRS in the country.

In lieu with the findings, size of the companies in Nigeria have no any direct bearing with whether it can promote the adoption of the standards or not, because of the way the listed companies are being monitored in the country. Nigerian government failed to take such into consideration which for now very few companies are ready to adopt the standard. A study conducted on the proposed rule - roadmap for the adoption of IFRS in Nigeria, a research based perspective on FGN, NASB & SEC, highlighted that, standards shouldn't be imposed on companies to adopt, rather companies should be allowed to choose either the IFRS or the NGAAP for the companies are not in the same capacity. Beside the issue of capabilities of companies to adopt the standards, cost benefits analysis, was also not taken into consideration.

It is apparent that, companies listed on the stock exchange were not prepared for the application of IFRS, which was indicated by the few number of companies active in the Nigeria stock exchange dated 16th March, 2012. As such, the sets of standards are not suitable for all entities in respect of size, and this has a connection with why a large number of the respondents were not satisfied with the company size, to promote the adoption of IFRS in the country which was the repercussion of the government proposed roadmap issued by the federal government dated 28th July, 2008, on the adoption of IFRS in the country.

As further shown in Table 4.9, the relationship between educational level and the adoption of IFRS is significant; this result supported the third hypothesis which state that, the probability that a company will adopt IFRS is positively tied to the educational level of its work force. This result is consistent to Guler et al. (2002). Similarly, Judge et al. (2010) empirically showed how the level of education achieved within a national economy are all predictive of the degree to which IFRS standards are adopted across 132 developing, transitional and developed economies. Several studies aligned with our findings that mean educational level of the company work force is actually a strong binding force to whether a company may or may not adopt IFRS.

The study also showed a positive significant relationship between capital market and the adoption of IFRS. This result supports the fourth hypothesis which stated that, a well functional capital market may likely influence the adoption of IFRS. The empirical result indicated that, capital market in Nigeria has an important role to play in the adoption of IFRS. This is consistent with previous studies such as Taylor and Chua (2008). The study revealed that a well developed capital market positively affect the adoption of IFRS. The result is also similar to a study conducted in South Africa by Kinsey (2006) who found capital market to significantly influence the adoption of IFRS in that country. This study has been conducted in the African continent, where there are a lot of factors that may promote the adoption of IFRS, but for the purpose of this study, the above discussions are some of the possible factors promoting the adoption of IFRS in Nigeria.

5.3 Research Implications

This study employed the Institutional Theory as opined by DiMaggio and Powell (1983) to explain the research objectives because, it is able to explain the possible factors promoting the adoption of IFRS via the perception of management. The underlying theory explaining the adoption of IFRS has been set forward to fill the theoretical gap. It also contributed significantly because, it showed how isomorphism is the strongest pressure for developing countries to adopt IFRS. Thus institutional isomorphism can better predict the probability of developing countries to adopt IFRS.

The findings would also generate useful information for oversight bodies such as the Nigerian Stock Exchange (NSE) and the Financial Regulation Council of Nigeria (FRCN) on the need of seeking the perception of management in the policy formulation of the country and also to reconsider the implications of its proposed roadmap issued on the 28th July, 2008.

The findings would also go a long way, in waking up the challenges and responsibilities of management in their respective companies to re - strategize their staff in terms of equipping them; with the requisite knowledge in relation to IFRS issues in order to face the challenges that lies ahead.

5.4 Conclusion and Recommendations

The objective of this study is to examine the relationship between the factors (government policy, company size, educational level and capital market) in relation to IFRS adoption. This study laid more emphasis on the perception of management in the Nigerian listed companies. With regards to these objectives, an analysis of multiple regressions was fully utilised. This study provided a significant relationship between government policy and the adoption of IFRS which is at par with the study conducted by Mir and Rahaman (2005) on the adoption of international accounting standards in Bangladesh. It was discovered that, government policy have a positive role to play in the adoption of IFRS for the purpose of developing accounting and auditing standards. However, the study failed to provide any significant relationship between company size and the adoption of IFRS which is consistent with Ahmad and Nicholls (1994), Street and Gray (2002), and Glaum and Street (2003) found no significant relationship between company size and the adoption of IFRS in small and medium size of company's and the adoption of IFRS.

Furthermore, the study also provided a significant relationship between educational level of the company workforce and the adoption of IFRS, which aligned with the findings of Judge et al. (2010) that found a significant relationship between the level of education achieved within a national economy as a prediction of the degree to which IFRS standards are adopted across 132 developing, transitional and developed economies. Finally, a study conducted in the South African region by Kinsey (2006) found capital market to adequately trigger the adoption of IFRS. In a nutshell, the results in this study supported most of the previous findings with regards to IFRS.

However, the study found company size not to influence IFRS adoption in the country. The study recommends that, company size should be properly taken into consideration either in terms of small, medium, and large size to ensure smooth transition from Nigerian GAAP to full adoption of IFRS in the country.

Table 5.1 Summary of the hypotheses result

Hypotheses	Relationship	Findings
HI	Between government policy and IFRS	Positive Relationship
H2	Between company size and IFRS	No relationship
H3	Between educational level and IFRS	Positive Relationship
H4	Between capital market and IFRS	Positive Relationship

5.5 Limitation of the Study

The perspective of this research was in the area of International Financial Reporting (IFR), conducted in the Nigerian environment. The data and information gathered were from the companies that were currently registered with the Nigerian Stock Exchange across Nigeria. As a result, this study being survey in nature, the respondents were chief accountants from each company. It would seem to be impossible to capture all aspects in the companies, such as psychological problems and personal bias that, the staff may possess. Finally, this study had only focused on the factors that promote the adoption of IFRS. Since the study had questionnaires, the response to the questionnaire had several inherent limitations.

5.6 Recommendation for Future Research

Future research can examine the variables of this study based on their dimension, e.g. Government policy (fiscal and monetary policies), Company size (small, medium and large companies), educational level (based on qualifications) and capital market (first tier capital market and second tier capital market) in relation to IFRS adoption.

A study on the impact of pre and post IFRS adoption is also needed in order to assess the importance of IFRS in the country. Furthermore, a study on the value relevance and market reaction to the adoption of IFRS is needed in Nigeria to examine the effect of IFRS.

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